



# Time to call it a day?

If you have decided to sell your business... hold on!

**Adam J Walker** has some excellent advice to achieve the best result.

**G**ood presentation can make an enormous difference to the price that a vendor achieves when selling a house and the same is true when selling a business. Here are my 12 top tips for achieving the best price:

## ■ TIMING

The value of a good lettings business has doubled in the last five years. The value of a good sales business has doubled in the last five months. The timing of your sale will have a huge impact on the price that you achieve.

## ■ RECURRING INCOME

Lettings businesses are usually valued on the basis of a multiple of turnover and most buyers will pay much more for recurring income from managed property than they will for one off fees from let only properties. A concerted effort to convert your let only landlords during the 12 months prior to a sale can have a dramatic impact on the price that you achieve.

## ■ PROFIT

Residential sales businesses are usually valued on a multiple of their profit. There is usually a great deal that can be done to increase the profit during the 12 months prior to a sale by increasing turnover, reducing costs and varying the accounting basis.

## ■ PROPERTY

Very few buyers will want to acquire freehold premises and some will not even take on a long lease. You should therefore consider transferring the premises out of the company prior to a sale.

## ■ YOUR FUTURE PLANS

Some buyers will only buy a business if the owner agrees to a long term service contract (three to five years). Other buyers will want the owner to leave almost immediately. You need to be very clear about your objectives before you start the sales process.



**“If you qualify for Entrepreneur’s Relief you pay 10% rather than 45% of the sale price in tax!”**

## ■ SALES PROCESS

Some houses sell for a premium price after an open house where several buyers are asked to bid against each other. In other cases the best price is achieved by approaching one buyer and asking them to pay a premium price in order to avoid a competitive marketing campaign. Similarly, choosing the right marketing process for your business will play an important role in achieving the best price.

## ■ CONFIDENTIALITY

The value of a business can be destroyed overnight if the word gets out prematurely that it is for sale. Your competitors will try to take your staff, your landlords and your vendors and within just a few weeks the value of a business can be reduced to nothing. All negotiations must therefore be handled under the protection of non disclosure agreements.

## ■ QUALIFICATION

All buyers are not the same. You need to check whether your prospective purchaser has the funds available; whether they have

the experience of buying a business before and whether they have a reputation for trying to renegotiate the price at the last moment.

## ■ TAX

If your sale is correctly structured it will qualify for the HMRC Entrepreneur’s Relief Scheme and you will pay tax on the proceeds of the sale at a rate of just ten per cent. If the sale does not qualify you will pay tax at up to 45 per cent. It is essential, therefore, to take expert tax advice before you offer your business for sale.

## ■ SHARE SALE VERSUS ASSET SALE

The majority of purchasers will want to buy the assets of your business not its shares and buyers are often prepared to pay a premium in order to do this. You must however take advice on which option will leave you with the highest net proceeds after tax and selling expenses.

## ■ BROKERS

An estate agent will usually get a better price for a house than the homeowner could achieve themselves and a broker will usually achieve a better price for a business than an owner. A good broker will advise on the sales price; recommend the correct marketing process; negotiate offers; qualify the prospective buyer and deal with the problems that arise between offer and completion.

## ■ SOLICITORS

Just as with a house sale, a good solicitor can make or break a sale. You must ensure that the solicitor that you appoint is an expert in mergers and acquisitions, and has handled the sale of a lettings or estate agency business before. You must also agree a final or capped fee with them rather than agreeing to an hourly rate

**Adam Walker is a management consultant and business transfer agent who has specialised in the property sector or more than 25 years.**

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