

GROWING, SELLING & RISK

Preparing to Sell Your Business

How to make a business easier to sell and worth more, how a sale process runs, and the tax and personal questions to settle early.

FOR: OWNERS PLANNING AN EXIT WITHIN A FEW YEARS • SOME TO EXPERIENCED

Start earlier than you think

The best time to prepare for a sale is two to three years before you want to sell. A business that is ready commands a better price, sells more smoothly and gives you more choice. A business that is put on the market in a hurry, or because of illness or a crisis, usually sells for less, if at all. Even if a sale is far off, the habits that make a business saleable make it a better business to run.

What buyers look for

- **A track record of profit**, that is steady or growing, supported by reliable accounts.
- **Customers that do not depend on you**. If the business is you, a buyer is buying a risk.
- **A spread of customers and suppliers**, so that losing one does not damage it.
- **Recurring or repeat revenue**, which is more predictable.
- **A team that can run it** without the owner.
- **Clear contracts, licences and intellectual property**.
- **Clean books and tax compliance**, with nothing unexpected to find.
- **Growth potential** that a buyer can see and believe.

Make the business more saleable

1. **Tidy the accounts**. Remove personal costs, explain unusual items, and produce regular management accounts.
2. **Reduce your own role**. Put others in charge of customers, sales and operations, and document how things are done.
3. **Fix the loose ends**. Overdue filings, unsigned contracts, disputes, outdated policies.
4. **Improve the numbers that matter**: margin, repeat customers, cash conversion.
5. **Check the structure**, because the way the business and its property are owned can change the tax and the pool of buyers.
6. **Decide what you want**: a clean exit, a staged handover, to keep a stake, or to pass it to family or staff.

Who this is for

- Owners thinking of selling in the next few years
- Founders unsure what the business is worth
- Anyone advising a family business

Key points

- Prepare years ahead, not months.
- Make the business less dependent on you.
- Clean accounts and records raise confidence.
- The structure of the sale drives the tax.
- Decide what you want before you start.

What is it worth?

There is no single answer, because value depends on what a buyer will pay. Common approaches look at earnings multiplied by a factor that reflects the sector, size, growth and risk, or at assets, or at the cash the business is expected to produce. Small businesses are often valued differently from larger ones. An early, realistic view of value helps you decide whether to sell, and what to do to improve it.

How a sale runs

1. **Appoint advisers:** accountant, solicitor and sometimes a broker or corporate finance adviser.
2. **Prepare the information:** accounts, forecasts, a summary of the business, and key contracts.
3. **Approach buyers,** in confidence, and agree confidentiality terms.
4. **Receive offers,** and agree headline terms.
5. **Due diligence,** where the buyer checks what it is buying.
6. **Negotiate the contracts,** including price adjustments, warranties and what is left behind.
7. **Complete,** with payment, and usually a handover period.

Readiness check

- Reliable monthly accounts
- Profit trend
- Dependence on me
- Key contracts in order
- Tax up to date
- Structure reviewed
- Personal plan

Tax and the structure

How a sale is structured affects what you keep. Selling shares can be taxed differently from selling assets, and reliefs may be available on a qualifying sale of a business, depending on the conditions. Different forms of payment, such as cash, deferred payments, shares in the buyer or earn-outs, also carry different tax results. Planning should start well before a buyer is found, and some steps need to be in place for a minimum period. Our guide on capital gains tax sets out the main points.

Your own plans

Think about what happens after: income, a pension, a new project, support for your family, and what you will do with your time. The financial side of the sale should fit your plan, not the other way round.

Keep running the business

A sale can fall through. Keep the business performing, and do not ease off before completion.

Related guides

If this is useful, you may also want:

- Capital gains tax
- Buying a business
- Succession planning

How King Street can help

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We prepare your accounts and numbers for sale, estimate value, advise on the structure and tax, coordinate with your solicitor and any corporate finance adviser, and support you through due diligence and completion, and into what follows.

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