Grant Thornton

Ten point guide to selling your business

If you are considering selling your business, our ten-point guide will help you get the best deal. Our corporate finance team have completed a wide range of business sales in several industry sectors, including a number of high profile transactions which have involved many of the issues owner managers face when selling their business.

The level of economic growth over the last decade and the lower interest rate environment has increased the number of opportunities for owner managers to realise their years of hard work.

However, there are many aspects to selling a business including getting the maximum price possible, negotiating with buyers, keeping discussions confidential and keeping business disturbance to a minimum.

If you are considering selling your business but don't know how much it is worth, the simple answer, according to **Michael Neary**, Corporate Finance Partner with Grant Thornton, is that the business is worth what someone is willing to pay for it.

There are four stages to selling a business:

- preparing for sale;
- identifying the best purchaser;
- negotiating; and
- closing the deal.

In each stage, there are a number of ways to ensure that value is added to your company.

Set out below are ten simple steps to help maximise the value of your business:

Preparing for sale

1. Forward planning

If you want to get the best price, forward planning is essential and two years in advance is not too early to begin the prospect of grooming your business for sale. Think about why someone would want to buy it and then focus your energy on this. For instance, if likely buyers want an Irish customer base then channel your efforts into developing this rather than export customers.

2. Maximising profitability

If you believe your business can generate higher profits by reducing unnecessary costs or restructuring, make the tough decisions. A potential purchaser will not wish to pay for what you say can be achieved.

3. Golden handcuffs

If there are employees who are vital to running the business, tie them in. If they are free to walk away this will make a perspective purchaser nervous.

4. Deal with the problems

You should aim to get any contentious or disturbing issues resolved before a sale. Buyers feel very uncomfortable with outstanding legal actions or uncertain ownership of assets. They will always take a worst case scenario and discount their offer accordingly.

Identify the best purchasers

5. Research potential buyers

You may be in the fortunate position of being able to identify a buyer for your business immediately but it would be in your best interest to commission skilled researchers to identify additional potential buyers. You may find that they value your business more and will pay a higher price. (For example, we recently found an overseas buyer who paid a very high price due to the strategic fit the business we were selling had with the existing operations).

6. Maintain confidentiality

If customers, suppliers or employees find out your business is for sale, it would create uncertainty and potentially reduce the value. Selling the business should be on a need-to-know basis and you should use advisors to maintain this confidentiality.

Negotiating

7. Never name your price!

You should set yourself a top target and lowest walk-away price. Never name your price to a potential buyer. Demand that they give you their best offer. A wise negotiator will decide before entering a meeting how far he is prepared to go and where he will draw the line and stop negotiations.

It is very helpful to have two people involved in the negotiation. While one must be the key negotiator with ultimate responsibility the second can act as a sounding board and help in maintaining the momentum of the deal. A competent negotiator will involve relevant advisors such as financial and tax experts and lawyers. They should be brought in from the start and continually consulted.

8. Understand potential buyers

As any business will have a different value to different people, understanding the value of your business to a buyer requires you to recognise its strategic value. If there is a potential for extra profits from joining two businesses, your business is worth more to the buyer who can achieve this.

The more that can be learned about the buyer's real objectives and their worries the easier it will be to gain a successful outcome to the negotiations.

Closing the deal

9. The business comes first

Keep your eye on the ball as too often a vendor's attention to their business wanes as they become embroiled in the sale giving buyers the opportunity early for a reduction in price at a later stage. Keep your focus!

10. Get good advice

As most owner-managers will only sell their business once in their life, your business may represent a lifetime of effort and achievement; make sure you do not sell yourself short. High quality professional advice from experienced financial and taxation specialists who understand owner-managed businesses are vital to ensure you get the best possible deal.

Whether a business has been inherited or grown from a start up let's not forget that making the decision to sell is a very emotive one for both the principle shareholders and their families. It is very natural for business owners to become emotionally attached to their business, after years of hard work and personal achievement. It is not an easy decision to make to sell. In our experience dealing with and understanding this is crucial to the success of the deal.

Contact

Michael Neary
Partner, Corporate Finance
T +353 (0)1 680 5797
E michael.neary@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

grantthornton.ie @GrantThorntonIE Grant Thornton Ireland

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