5 Top Tips for Preparing your Business for Sale

Selling your business can be a complex process. It's a big decision and it can be tough on a number of levels. We find the more informed a client is in the processes involved, the easier and smoother the process becomes.Sian Webber, Partner in our corporate team, starts us off with some very useful advice and 5 Top Tips for Preparing your Business for Sale.

Selling your company is not all that different from selling your house. Before you put your house up for sale it is likely that you will look at it through the eyes of a potential buyer and, in order to get the best price, ensure everything is well maintained to show the house off to its full potential.

It is important to do the same prior to selling your company. The effort put in to preparing your company for sale increases the likelihood of, not only a smoother sale process, but also the potential of a higher price. However, with business owners understandably devoting the majority of their time and attention to the day to day running of the company, the "housekeeping" can often slip down the to do list. This can lead to delays in the sale process and, at worst, a potential buyer seeking to renegotiate the purchase price. Please see below five preliminary steps that should help you prepare your company for sale and avoid any potential headaches or delays once the sale process is underway.

1. Dust off the company's statutory registers

By law, every company is required to keep a set of registers. These registers are separate from the annual confirmation statement and other filings which are made at Companies House. The registers will include, amongst other things, details relating to the company's shareholders and officers, details of any transfers that have taken place in respect of the company's share capital and details of any persons who have significant influence or control over the company. Importantly, because the register of shareholders is the definitive authority as to who legally owns the shares in the company, a potential buyer will be keen to ensure the registers are all in order and are up to date.

2. Review your terms and conditions and commercial contracts

A potential buyer is also likely to want to see copies of the terms on which you engage with your suppliers and customers so it can assess the rights and obligations it will have following completion. It is not only important to review these to ensure that you hold a copy of each contract which has been correctly dated and signed by both parties, but also to ensure that the terms you think govern the relationship between the company and the supplier or customer actually do and that you have not inadvertently agreed to contract on unfavourable terms. Importantly, if you have a number of key customers or suppliers, a buyer will want to be sure that if your terms include a right to terminate following a transfer or change of ownership, that the customer or supplier has either waived that right or given its written consent to the proposed transfer. If you do not have your own terms and conditions, now is a good time to get these drafted.

3. Ensure your employment contracts and staff handbook are in order and up to date

When did you last review your employment contracts and staff handbook to ensure they correctly reflect the latest legislation and include provisions that adequately protect the business such as restrictive covenants, a bribery and corruption policy and GDPR provisions? A buyer is likely to look unfavourably on having to undertake a full review of the employment contracts and staff handbook following completion and may seek to renegotiate the purchase price to cover the cost of having to do this.

4. Carry out an internal intellectual property audit

The question "what intellectual property does the company own?" is quite often met with the response "we do have a couple of logos we use but we never got around to registering these as trademarks". Undertaking an intellectual property audit to ascertain what intellectual property the company uses and ensuring it has all been correctly registered and protected will not only better protect your company should anyone ever try to use the same or similar trademark but will also be important to a potential buyer.

5. Review approved tax schemes

A sale is often the time when any approved tax schemes the business may have put in place will reach fruition. In order to avoid a hefty tax bill as a result of a tax scheme not having been correctly put in place, we would advise that an audit is undertaken to ensure there are no issues which are likely to come to light during the sale process. Common mistakes include not having notified HMRC of the tax scheme, failure to meet the qualifying requirements of the relevant scheme or not realising a disqualifying event has occurred. Addressing the housekeeping issues prior to a sale process is key to avoiding delays in the process and costly rectification of issues which need to be put right before a potential buyer will commit to a purchase of your company.

Sian Webber

Partner