MERGERS AND ACQUISITIONS SERIES

10 Tips to Get Your Business Ready for Sale

A successful exit starts with strong financial preparation and strategic foresight. Owen Hackett, Managing Director, provides ten tips which will help you enhance valuation, manage risk, and ensure your business is market-ready for an optimal sales process.

FOCUS Capital Partners

Selling a business is a major milestone – more than just a transaction, it's a cumulation of years of hard work and dedication to the success of a business.

However, one of the most common challenges we see in the M&A process is a business owner who's personally ready to sell, but whose company isn't quite prepared to achieve the optimal outcome.

Even if your business has strong fundamentals, such as recurring revenue, loyal customers or a great product, underlying issues can affect a business' value, or cause delays.

Getting your company "market-ready" is critical, but takes prior planning, attention to detail and a clear understanding of what a buyer is seeking, all the while still running and growing your business.

In this article, we explore 10 essential areas which business owners should focus on in advance of any sale process:

1. Build Your Team

It is often the case that the founder of a company is the chief executive officer. They are the driving force behind the company's success, and they maintain critical relationships with customers, suppliers, employees, and other stakeholders. While this may suit the business operationally, it will not be appealing to potential investors or acquirers as they will likely view cashing out a founder who is responsible for the company's continued success as high-risk.

To reduce this risk, the company should have a strong senior leadership team in place. These individuals should be capable of running the business independently and driving growth without day-to-day support from the founder. This demonstrates to any potential acquirers that the company has what it takes to survive without the founder's support and will make the enterprise more attractive.

2. Retain and Incentivise Key Staff

Coupled with this, it's important to be able retain key staff post-acquisition. In a competitive employment market, it can be challenging to retain top talent, especially during times of change. Introducing an Employee Stock Ownership Plan (ESOP) or other incentive schemes can help align your team's interests with your own. It gives them a stake in the result and can play a significant role in maintaining motivation during the sale process. While it takes time to address these challenges, having them covered off before bringing your company to market will give buyers confidence that the team will be committed going forward.

These incentives also allow for flexible structuring, for example, buyers can choose how much of the team's equity is rolled over, how share options are treated, and how a future ESOP pool is managed. This flexibility can help to smooth negotiations. To further reduce risk, ensure that key staff have well-structured employment contracts that include appropriate notice periods and non-compete clauses. Buyers are more likely to invest in a business where a strong, stable team is in place for the long term.

3. Know Your Customer Base

A buyer will look closely at the quality and stability of the customer and supplier base of any company they are considering acquiring. An over-concentration of either (or both) could make a potential buyer nervous, particularly if the company is dependent on smaller firms, with no long-term track record. This is especially true in sectors where customer loyalty is low, or alternatives are readily available. Where possible, companies should avoid overreliance on a small number of customers or vendors. If you can't diversify, consider ways to strengthen long-term relationships, renew contracts, reduce churn, and increase retention. Presenting a stable, loyal customer base reassures buyers that revenue will continue post-sale.

4. Get Your House in Order

Organisation is essential. During a sale, buyers will review everything, from financial statements and tax returns to employment contracts and legal agreements. If your documents are outdated, incomplete, or disorganised, it will slow down the process and may raise concerns. Take the time to ensure all business-critical information is collected, up to date, and properly stored. Well organised documentation reflects well on your management and helps keep the sale moving efficiently.

5. Strengthen Your Finance Function

Many businesses undervalue the importance of having a strong finance function as it is frequently viewed as a cost to the business rather than a department that can offer value. However, your finance team plays a crucial role in demonstrating the value of your business. Beyond basic compliance, buyers want to see strong budgeting, forecasting, and performance tracking.

A mature finance function helps the business identify which activities drive revenue and profitability, ensures the company's cost structure is optimised, and allows for more accurate forecasting. This gives buyers confidence and helps support the valuation during negotiations. Robust, accurate financials are also critical during due diligence. If your numbers are unclear or can't be explained, buyers may reduce their offer or walk away. A business with high-quality financial reporting stands out in the market.

6. Understanding The Buyer Landscape

It's helpful to know what kind of buyer is likely to be interested in your business. Strategic buyers, typically competitors or industry players, may seek synergies and a full integration. Financial buyers, like private equity firms, often want to invest for growth and may want you to stay involved post-sale. Your own goals will influence which kind of buyer makes sense. If you're looking to retire and step away, a trade sale might suit best. If you want to stay involved and benefit from future success, a financial investor could be the right fit. Understanding this landscape can help you tailor your approach, and your expectations.

7. Consider Your Growth Timeline

Timing can play a critical role in the outcome of an M&A process. A business that's growing is always more attractive than one that's flat or declining. Ideally, you'll be able to show year-on-year revenue and profit growth over the past two to three years. Just as importantly, buyers want to see where future growth will come from, which could mean launching new products, entering new markets, or acquiring other businesses.

A clear and achievable growth story in the short to medium term can improve buyer confidence and support a higher valuation. If you know your business is on the verge of a major growth milestone, it may be prudent to delay a sale until those gains are realised.

8. Review Your Risk Management Plan

Every business has risks, what matters is how these risks are managed. Acquirers and investors will evaluate legal, financial, operational, and market risks before deciding whether to proceed with an offer. As a result, continuous risk management is a good business practice that helps mitigate issues that may arise when selling a company.

Take time to review risks such as ensuring that intellectual property is adequately documented and protected, monitoring supplier and customer agreements for expiration/renewal dates, and confirming that customer contracts can be transferred to an acquirer. A strong risk management approach builds buyer confidence and helps avoid last-minute surprises.

9. Align Shareholder Goals

If the business has multiple shareholders, or board members, there is a need to ensure that goals are aligned for a potential sale strategy and timing. Disagreements around price, timing, or post-sale involvement can lead to delays or, in the worst case, cause a deal to collapse. Start these conversations early. When all stakeholders are on the same page, the process is smoother, and your negotiating position is stronger.

10. Plan Ahead for Tax Structuring

When it comes to selling the business, owners should consider the tax implications of the transaction. The right structure will depend on your personal financial goals, the legal ownership of the business, and the size and type of deal negotiated. Engagement with tax advisers early is essential.

Ensuring tax compliance and planning the structure of the sale can protect you from costly surprises and improve your final return. Be careful not to leave tax planning until the last minute, we recommend that it is part of your early sale preparation 12-24 months prior to a potential transaction.

KEY TAKEAWAYS

There are many reasons why a buyer might be interested in your business, but even the strongest company can lose momentum in a sale process if it isn't well prepared in advance. Ensuring that the business is market-ready will help to ensure that initial interest from potential acquirers leads to a successful transaction.

In our next article in this series, we'll explore how best to approach the market once you're ready to sell, a key strategic decision that can shape the outcome of a transaction.

HOW WE CAN HELP

At FOCUS Capital Partners, a leading provider of sell-side advisory services, we understand how to execute a successful transaction process and deliver maximum value to our clients. Our experienced M&A advisory team in Ireland and the United States supports business owners through every stage of the journey, from readiness to executing the deal, managing the process from start to finish.

Our in-house Tax team is also well positioned to advise across all stages of mergers, acquisitions and disposals. If you are considering selling your business in the near future, please reach out to us for an initial conversation.

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