

## Getting the best price for your business

The last six months or more has seen a frenzy of smaller business owners seeking to sell their business and take advantage of the current Capital Gains Tax rules. For a significant number they will have allowed the tax tail to wag the commercial dog, resulting in a lower after tax deal offer than would have been the case with a more considered approach. More time spent on grooming the business will often reap greater rewards. We outline some of the key issues that need addressing in obtaining the optimum value for your business:

### 1) Start with the end in mind

What realistic value are you looking for? Is the timeframe sufficient to allow you to get your house in order and get to that desired business value? Do you understand the principles on which your business is valued? If it's a profit-based multiple then you perhaps need to work on improving your recurring, sustainable profit from loyal customers rather than focusing on one off business. More about your customers later.

## 2) Your business strategy

Are you clear about the way the business will look on exit and what will be attractive to potential purchasers? You need to consider tracking your performance against your competition with a view to matching or even beating theirs.

### 3) Customers & the 80/20 rule

Did you know that as much as 80% of your profit is generated from 20% of your customers? Conduct a review of your customers and seek to develop strategies for off-loading the unprofitable ones to allow time to develop profitable ones. Look at your customer retention rates – purchasers place great emphasis on low customer defection rates.

Do you have all the bases

## 4) Skills Gaps

covered for key management functions in the business including production, sales and marketing, finance and HR? It's imperative that you have good quality people in place to help you get the business in the best position for sale.

### 5) Team incentives

Do you incentivise your key people to achieve more? Making use of the tax-approved Enterprise Management Incentive share option scheme can achieve a lock in of key people who will have the carrot of sharing in the exit value without them having to find the investment now.

## 6) Management Information and Financial Performance

The old dictum holds: what you measure you manage. Are you measuring the right things at the right time? Are you managing your cash resources and working capital? Are you setting 'stretch' budgets to optimise performance?

## 7) Systems

Consider embedding the McDonalds franchise principle of systematising your business so that it can run without you being around 24/7. You need to be working on maximising inherent Goodwill rather than modelling a business that is heavily dependent on you personally – it's the former the purchaser is looking to buy!

## How can we help you...?

If you have any questions or would like an informal chat on selling your business then please contact

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