

# Preparing to sell

**Selling a business is a lot like selling a house. To get the best price, it has to be structurally sound, and all the paperwork has to be in place. And a fresh coat of paint before it goes on the market makes all the difference.**

The hard work of creating a saleable business begins years before the sale takes place. It's all about building the right structure and developing systems that make it easy for anyone to run. Then, when you're ready to sell, you can add some polish to get the best possible price.

## **Building the structure**

- 1. Plan ahead**  
Plan to make your business saleable right from the start. Look at other businesses for sale, then think about what potential buyers might want.
- 2. Build systems**  
Put processes in place so that everything works smoothly, even when you're not around. Your business will be more efficient, and a new owner will find it easier to step into your shoes.
- 3. Document everything**  
Keep detailed records of your systems, your plans, your marketing strategy and your customers. It's all valuable intellectual property that could be worth real money to you one day.
- 4. Find your competitive advantage**  
Carve out a unique niche for your business with a distinct competitive advantage — what Warren Buffet calls an “economic moat” to guard you from your competitors.
- 5. Have a wow factor**  
Your unique selling proposition is what differentiates you from your competitors — and makes your business uniquely desirable to a buyer.
- 6. Recruit good people**  
Invest in great staff who can keep the business running without you. Then, having recruited them, let them take some of the responsibility from you.
- 7. Keep your financials up-to-date**  
Make a point of maintaining detailed and accurate financial records.

## **Polishing it up**

- 1. Sell at the right time**  
Sell when your business is performing strongly, not when sales are falling.

2. **Target potential purchasers**

Think about who's likely to buy your business, then prepare a marketing package designed just for them.

3. **Ramp up sales and ramp down overheads**

Increase your marketing spend to generate rising sales before you put your business on the market. Run lean to maximise profitability. Business sale prices are always a reflection of profit/earnings multiples.

4. **Renovate your finances**

Establish cash reserves or settled lines of credit, so that you can offer purchasers a financially strong business. Write off any bad debts, pay any outstanding bills, and chase up overdue accounts.

5. **Review plant and equipment**

Ensure that your plant and equipment are up-to-date, well maintained and well documented.

6. **Start the transition**

Begin handing over responsibilities to key employees.

7. **Get advice**

Professional advisers can help you get the most out of a sale.

Compiled from a range of sources.

