CHECKLIST
SELLING YOUR BUSINESS

If you're thinking about selling your business, it's important to first work through the details that will help you maximize the value and make your business more attractive to potential buyers. Use this handy checklist to make sure you've got everything covered.

1. ADD VALUE AND DEMONSTRATE EFFICIENCY

Long before you sell, start preparing the business by improving any aspect that makes the business a better prospect to buy.

- [ ] **Build a comprehensive customer database**

Possibly the main reason a person buys another business is for the existing loyal customers who come back again and again. If you haven't already, start collecting customer names, addresses and emails and set up loyalty or reward programs. Start or improve how often you make contact, using automated software such as www.Campaign Monitor or MailChimp.

If you can demonstrate a large portion of your sales comes from happy repeat customers, it adds value be reassuring the new owner this revenue stream is likely to continue after the sale.

- [ ] **Firm up any supplier or distributor agreements**

Document any favorable terms with your suppliers to help ensure the business will continue to enjoy these benefits after you're gone. If you don't have any formal distribution agreements, now is the time to set them in place to guarantee the long term supply of what you need to run the business.

The same if you have agreements with distributors who sell on your behalf. If you have a network of reliable and contracted resellers who will stay after the business is sold, it will increase the value of your business.

- [ ] **Renew contracts with customers**

Renew any contracts with customers even if they haven't expired, or re-negotiate those that could be lengthened. The longer the contract, the more value.

- [ ] **Sell off any redundant assets**

Depending on the condition or age of certain assets, you may be better off selling them rather than leaving them for a new owner. Potential buyers won't want to pay for old or obsolete assets.

Also sell dated or surplus stock to reduce any new owner thinking you've made poor inventory buying decisions in the past.

- [ ] **Reduce shrinkage**

Check that you have good systems in place to detect and reduce the chance of shrinkage: raw materials being wasted, items being stolen, incorrect use of materials which results in items being thrown away, and having to redo customer orders. You will probably never eradicate shrinkage, but you can help reduce it happening.

- [ ] **Decrease expenses**

Do a quick review of your expenses to see what can be reduced. Contact regular service providers who you pay a monthly fee (internet, power, subscriptions) and see if there are better deals without a loss of service. Often utility fixed-term contracts can expire without you knowing, which should allow you to shop around for a better deal as these businesses often offer switching incentives.

- [ ] **Fix and maintain**

Paint what needs to be painted, fix anything that's broken, and repair or replace damaged assets. Often when you come into your business day after day, you can miss the small things that a new buyer will notice (from dust on tables to cobwebs in the windows).

The goal is to get your business environment looking clean and sellable so you can attract more buyers into taking a closer look.

- [ ] **Develop an operating manual**

An operating manual increases the value of your business as it helps the business become more of a turn-key operation.

Start documenting everything you doincluding working guidelines, policies and procedures to effectively run your business. The best way to write the manual is to imagine you wanted to franchise your business, to document the way things are done that may be in your head.

For example details of how the work is carried out, invoicing, shipping, which marketing tactics work best, how you keep your best customers and any systems you have developed for efficiency.

- [ ] **Outline your competitive advantage**

A prospective new owner will value the business more highly if they are confident that your business will continue to grow, and make a healthy return on their investment. Key on their minds will be the competition and the reasons why your business generates sales over the alternatives.

You will maximize the value of your business if you can clearly demonstrate that your business has a clear competitive advantage:

- Develop a unique selling point. What your business does that is better than any direct competitor.
- Collect testimonials and evidence from existing customers over why they chose your business that proves your competitive advantage.
- Outline your strengths and opportunities.

2. REMOVE UNCERTAINTIES

- [ ] **Check any disputes have been resolved**

A new owner won't want to take on any unresolved problems that could make their first few months in business more difficult than they need to be. Discuss and legal, tax or employment issues with your lawyer, accountant or advisor.

- [ ] **Make sure leases will continue**

Check any properties you lease or rent will transfer to the new owner. Location is likely to be integral to selling the business – and can be a deal breaker if it's not solved.

Discuss with the property owner before you plan on selling to understand what they need to support a new owner.

- [ ] **Check your business is compliant**

If your business operates in an industry that requires licenses or is regulated, then it's critical that you comply with everything that is needed to run the business. List what these are, when they are due for renewal, or what the business has to do to maintain an easy operation.

This includes health and safety for you, staff and customers, noise or pollution controls, and environmental or cultural restrictions.

3. ASSESS YOUR FINANCIALS

- [ ] **Ensure your accounts are in order and check their accuracy**

Have all your accounts up-to-date and accurate to show a true presentation of sales, profits and expenses. You'll want your accounts to show a well-run business which includes access to financial information on a daily or weekly basis, rather than rely on end-of-year accounts which can be outdated very quickly.

If you don't already, consider upgrading to use accounting software like Quickbooks or Xero. Speak with your accountant who they recommend and get them on the task if your accounts are in poor shape.

- [ ] **Gather together your last three years of financial records**

Potential buyers will be interested in the last few years of your business's accounts, particularly sales and profit figures, so they can examine business performance and determine if it's likely to continue or not. They'll also want to know if your business is turning over stock quickly and showing future profitability.

Even though you may have a cash flow forecast that shows what you're predicting will happen, past results are the only real evidence you have of sales.

- [ ] **Highlight any unusual items**

Explain any unusual items in your financials such as discontinued operations (like recently shutting down a branch), the sale of assets (and why), an unusually high (or low) gross profit. It's often easy to spot variations that don't make sense, so it's best if everything is out in the open for potential buyers.

Make sure your accountant reviews any unusual items on your books if you need assistance explaining some of the items.

4. GATHER THE PAPERWORK

☐ **Draw up a comprehensive asset list**

An asset list will show a potential buyer exactly what is being sold and the value of each item. If any assets have a low value on your balance sheet yet are worth more than the amount showing, have them re-valued. Explain why you're asking a higher price than their book value.

☐ **Provide a copy of your lease (if applicable)**

If your company is leasing or renting premises, make sure you have a copy of the agreement available for prospective purchasers.

A buyer will want to know what obligations they're taking on if they buy the business.

☐ **List your intellectual property (IP) rights**

You may have protected your business's name or logo with a trademark, patented a new product or process, safeguarded a trade secret, or own copyrights. Discuss them with potential buyers so they can get a clearer idea of how beneficial they are to the business. If you don't have any IP consider registering/protecting what you do have, to increase the perceived value of the business when it comes time to sell.

☐ **Document copies of licenses or permits**

Your business may require specific permits or licenses to operate legally. Ensure you inform prospective new owners of what these ongoing regulations are so they don't run into problems down the road.

5. TALK TO PEOPLE THAT NEED TO KNOW

☐ **Confide in your family**

At some stage you should inform your family, friends or any dependents that you're considering selling. You may not need to tell them immediately, but the more people that support and agree with your decision to sell, the better.

☐ **Speak with your staff about your sale plans**

It's very important that you manage your staff well during the sale process so they remain on-board, especially key management that help run the business. A new owner is likely to want to retain any staff that add value to the business (and remove those that don't). Get professional advice early about handling the transition of staff and management.

☐ **Involve your key personnel in the sale process**

Discuss the sale with any staff members when the time is right. They will likely be contributing to the future success of the business so it's important to keep them in the loop so they don't get discouraged and go searching for other work.

Set up an informal meeting to discuss your sale plans going forward when the time is right.

☐ **Get professional advice**

Your professional advisors are critical before, after and during the sale of your business. Make sure you've got the right lawyer and accountant on board who can give you the right advice at the right times.

Speak with them as soon as you can as it may take a number of years before you finally sell. There will be issues to solve around tax, possible inheritance, shareholding, contracts and leases.

☐ **Prepare confidentiality agreements**

You may not want news that your business is for sale to be made public until you are ready. Staff, suppliers, competitors and customers will all react differently when they hear your business is for sale.

If you do need to inform anyone that you're selling, reduce the chance the person will tell others by preparing a confidentiality agreement for people to sign. It should at least deter anyone from breaching confidentiality.

☐ **Decide whether to use a broker**

A business broker can help you to package your business in an attractive way and use their network to uncover potential buyers. A good broker can also take inquiries from potential buyers without ever mentioning your business's name.

Search for one who's knowledgeable about the marketplace and your industry, and has the skills and time to help market your business for sale.

6. IDENTIFY AND APPROACH POSSIBLE BUYERS

☐ **Decide on a fair sale price**

Calculate a fair price that will get buyers interested and will gain you a worthy profit for all your hard work in the business. There are a number of ways of valuing a business, so make sure your expectations match the actual value. Seek expert advice and talk to anyone in your network who've been through the selling process before, and try to identify any market valuation rules.

☐ **Anticipate buyer requests**

Think about what your target buyer will probably ask about you and your business such as, why you are selling, who the main customers are, and what are the future trends. They may question what you intend to do once you've sold: a common request is for you to sign a non-compete agreement, so you're less likely to open up a similar business nearby. Review the agreement carefully, and make sure you agree with its terms.

☐ **Prepare the sales agreement**

In conjunction with your professional advisors, get a sales agreement drawn up. It's the key document for buying the assets and goodwill of your business so make sure it's accurate.

☐ **Define your potential buyer**

Try to profile your likely buyer. What do they do? Are they entrepreneurs or will they be first time business owners? What are their interests?

Outline what you expect your potential buyer to be like, to help you position the business to appeal to them.

☐ **Discuss how to create interest amongst these prospective buyers**

How will you market your business to the type of person you expect to buy it? You'll need to generate interest in your opportunity while also being careful to keep the upcoming sale confidential.

Speak with your accountant, lawyer, broker, banker and other advisors to form a plan.

☐ **Be honest, patient and realistic**

It's important to be upfront about all aspects of your business so you don't run into any legal trouble later on.

Get everything out in the open, set a realistic price, and be patient as potential buyers take their time to make their decisions.

NEXT STEPS

- Set a target date for putting your business up for sale so you can schedule time to complete your tasks to prepare the business for sale.
- Talk to a professional advisor as soon as you can.
- Once your business is ready to sell, make a plan to put it on the market.
- Contact one of our Business Relationship Managers to talk through when you're thinking of selling and how a transition may work.

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Please note that the information provided isn't intended and should not be relied upon as professional or personal financial product advice. You should seek professional advice before making any decision that could affect the financial health of your business.