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5 Steps to Preparing your Business for Sale

Knight Corporate Finance explains how to sell your Telecoms or IT business

by **Rob Scott**
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Getting ready to facilitate the acquisition of your business can be a daunting challenge. After all, selling your business can be a huge step forward for anyone, no matter whether you're running a small company, or a huge enterprise. As with most things in life, the more time and planning you put into the process, the more you'll get out of the sale.

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The sales process can be long, frustrating, and a little overwhelming. Sometimes it will last for six months, and others, you'll be waiting around for more than a year before you get a decision. However, before you place your business on the market, you'll need to make sure it's as attractive as possible to potential buyers.

Step 1: Know what you Want to Achieve

Before most businesses attempt to organise the sale of an entity or asset, they begin with getting a realistic idea of what they'd like their deal structure to look like, and what kind of timescale they might be working to.

Ideally, you'll need to get an insight into what your business is worth from an objective source. A professional valuation should help to provide you with a basis for gauging buyer offers, and will also give you an insight into what you can expect to net from your sale. Your valuation will also tell your business's position in the market, strengths and weaknesses, and financial situation.

This planning will give you a chance to make changes before you put your company on the market. Just remember that valuations can be obtained from a range of sources, and as a rule, you should make sure that the company performing your valuation has the most recent national data for transactions in your industry.

Step 2: Align your Shareholders

A disorganised team can spell disaster when it comes to selling a business. Once you have a plan of what you want to achieve, you'll need to create and implement an effective communications plan to use with your shareholders when addressing objectives, and your reasons behind the sale.

Ultimately, your plan should include not only an overall strategy for the sale, but also any technical details on what's going to happen once the sales take place. Though some details may seem minor, it's often true that the more information you can provide, the more value you can offer your shareholders.

Step 3: Get Robust Financial Information

Buyers with an interest in evaluating your business will generally need at least three years of financial information about your company. The more formal your statements are, the better the impression you'll make.

Try to figure out the true profitability of your business. Remember, most privately held businesses will claim a lot of non-operational expenses, and you'll need to make sure that you have supporting documentation for those expenses. In addition, there may be infrequent expenses to consider that have been incurred over the past three years that should be included in a buyer analysis.

If necessary, consult your financial or tax advisor for help planning your financial future, this will help you to make sure that you have the right information to present to buyers.

Step 4: Ensure your Tax Affairs are In Order

It's crucial to consider your tax affairs before you begin selling a business. Failing to do so can lead to a weaker bargaining position, and loss on the behalf of your company. For instance, the type of business you run can impact how your sale will be structured.

Most Telecoms and IT businesses in the UK are limited companies. Therefore, the normal corporation taxes apply. Sellers don't want to buy companies with too many skeletons in their closets so be sure to pay as many outstanding taxes before considering a sale.

Step 5: Conduct Due Diligence

Finally, it's a good idea to consider undertaking some internal due diligence ahead of a sale to address any potential challenges that you might approach during the sale. Depending on the sector you're involved with, your due diligence may simply include a financial questionnaire, or it might include a full exercise, so be prepared.

Try to anticipate any questions that a buyer might ask by reviewing financial statements before their visit. It's also a good idea to prime any employees you have for visits from VIPs. The last thing that your buyers will want to see is a business that gives a bad impression.

With the help of your legal advisors, you should also review all legal documentation, including leases, contracts, and articles of incorporation, to make sure that everything is up to date and easy to access.

About Knight Corporate Finance

Knight Corporate Finance was founded by Adam Zoldan and Paul Billingham in December 2008 with the specific aim of advising businesses and entrepreneurs in the telecommunications, media and technology (TMT) sector.

Both founders spent long periods of their careers in senior commercial and operational roles in the sector and bring a unique level of experience to transactions based on genuine industry knowledge.
Knight advises its clients on Strategy, Funding, Acquisition and Exit, and has completed over 80 transactions establishing itself as one of the leading corporate finance boutiques in its sector.

The business has a team of 10 professionals with offices in London and Warrington.
Contact:

Adam Zoldan, Director az@knightcf.com +44 7968 628163

Paul Billingham, Director pb@knightcf.com +44 7815 187275

Knight Corporate Finance Limited
Proud House, 19 Bold Street, Warrington, WA5 8DQ
The Metal Box Building, 30 Great Guilford Street, London, SE1 0HS

Written by
Rob Scott

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