Welcome

- **We'd appreciate it if your phones were silenced, thank you.**

- **Timings:**

9 – 9.20am	Refreshments & networking
9.20 – 10am	New World presentation
10 – 10.10am	Comfort break
10.10 – 10.40am	Davies Tracey presentation
10.40 – 10.55am	Q&A with all presenters
10.55am	Closing & networking*

*Please hand in your feedback forms

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DAVIES TRACEY
(INCORPORATING GILCHRIST TASH)
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Planning for Retirement: Selling your Business

DAVIES TRACEY CHARTERED ACCOUNTANTS

Preparing your business for sale and maximising its value

Areas covered:

- **Types of sale**
- **Preparing your business for sale**
- **Maximising value, and how your accountant & other advisers can help**
- **Valuations & negotiations (inc. Case Study)**

Typical avenues for the sale of your business

Trade Sale – Most common route. Usually a disposal either by sale of shares or assets to another business, could be a competitor that operates in the same sector, or the acquiring business could be looking to expand its operations, take out competitors or move into a new region.

Advantages

- Potentially obtain best value for your business
- Experienced people taking over
- Economies of scale to improve profitability
- Knowledgeable people can make the sale process run more smoothly

Disadvantages

- Usually involves an earnout period where key shareholders would remain involved in the business.
- No protection for workforce
- Value is usually up front payment plus further payments depending on future performance

Typical avenues for the sale of your business

Management buy out

Key staff members already employed in the business look to buy the shares of the current shareholders.

Advantages

- Business and workforce protected
- Dealing with people you trust
- Generally an easier deal to broker and complete

Disadvantages

-Difficult to maximise value

-Earn out may take longer which increases risk

-Raising capital

Sale to a private investor or a stock market flotation.

(not common with owner managed businesses)

Preparing your business for sale

General rules…

What you can control:

1. The earlier you start the better

2. Get your house in order

- Taxes
- Leases and contracts
- Legal disputes
- Assets
- People

3. Maximise profits to maximise value. This will probably mean paying more tax. Short term pain for long term gain as value of business will be based on multiples of profits.

4. Customer contracts and future growth potential.

Preparing your business for sale

What you can't control:

1. The economic climate when you decide to sell
2. Innovation and changes in your industry
3. Changes to tax legislation

Working with your accountant

Your accountant should help you ensure that your business is in the best possible shape to achieve your sale price.

The earlier the better.

- **Demonstrate growth and profitability**
- **Forecasting the future**
- **Audited accounts can add value**
- **Tax compliance**
- **Asset registers**
- **Supporting documentation (contracts/leases/compliance)**

If you can demonstrate your business is in good shape and well run you will be more appealing as an investment opportunity, to more buyers.

Accountant: Helping you get the best price

↓

Legal professional: Ensuring a smooth sales process

↓

Financial Planner: Planning for the new lifestyle you want

Working with the professionals

Accountant

Maximises value and minimises tax.

Lawyer

Protection against future claims and warranties.

Financial Planner

Achieving your retirement goals.

Accountant: Helping you get the best price

↓

Legal professional: Ensuring a smooth sales process

↓

Financial Planner: Planning for the new lifestyle you want

Valuations & negotiations

The valuation of your business is clearly pivotal to the sale and whether or not the best value is achieved is often dependent upon foundations laid in the years prior to commencing a sale.

Valuing a business is more of an art than a science.

Use an experienced accountant to value your business, this will give you an indication of its value (most useful in management buyouts).

BUT be aware this is an indication. A business is only worth what someone is willing to pay for it and what you are willing to sell it for.

A case study

A client in the transport industry, 6 employees.

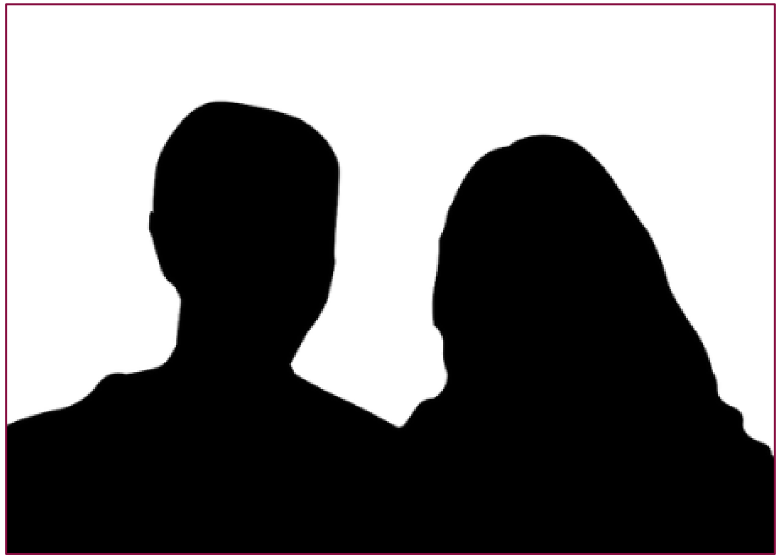
Decided to sell for health reasons, as even though the business wasn't time intensive for the director, he felt nobody else could do his role.

With a significant medical operation on the horizon for him, the sales process began as a 'knee jerk reaction' and his main customer offered £1 million.

We spent time persuading him that with some planning we could double that (an initial estimate from us at the time) as we were sure the company was worth more, particularly given its £700k+ profit per year.

After an 11th hour stop to his initial sale, we then worked alongside Knights for the next 20 month and brokered a deal for…

£3 million



Final comments

If you can demonstrate to the marketplace that you have a profitable, well run business, with good potential for growth, you will attract more buyers.

The more buyers interested the better the chances of a competitive sale and bidding to maximise the sale value.

It is never too early to start planning.

Any questions?

Thank you.

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