



# The 11 Commandments

Of selling your Business for all it's Worth

In this e-book, which is part of our Masterclass presentation, we explore the key stages that comprise a business sale and give you the 11 "must dos" (and some "do nots") you need to consider when you start the journey to the next phase of your life.

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**evolution complete business sales**

SELLING YOUR BUSINESS FOR ALL IT'S WORTH

## Foreword

Selling a business is primarily a sales and marketing activity, not a financial one. After all, you wouldn't put your Accountant or Finance Director in charge of selling your company's products and services, so why would you put them in charge of selling what will often be your largest asset?

Placing the sale of your business in the hands of the wrong people will significantly cost you, not only potentially in terms of the price paid, but whether the deal completes at all.

It's been calculated that over a 1,000 hours are spent trying to sell a business and often the process is fatally flawed within the first few hours.

Most sellers have not sold before; conversely most acquirers have bought before, usually many times. They are experts in this field and so business owners are invariably persuaded to part with their prized asset for considerably less than it's worth.

Five of the eight "acquisition musts" in an acquirer's "handbook" are based on future potential and yet most sellers are encouraged to look back on past financials, rather the potential of the business going forward under new ownership. This book is designed to even up the playing field and indeed even tilt it in your favour as a business vendor.

It will highlight the fundamental flaws in traditional methods of selling a business and also provide you with an outline of what to do to ensure you maximise the value of your business for sale. Not only in respect of the price paid for your business, but also the terms on which you exit.

These "dos and don'ts" have been observations and experiences from over a decade of selling privately-owned businesses. The Evolution team has lead and advised on literally hundreds of successful business sale completions.

The following pages are slides from our Masterclass events for business owners, "*The 11 commandments of selling your business for all it's worth.*"

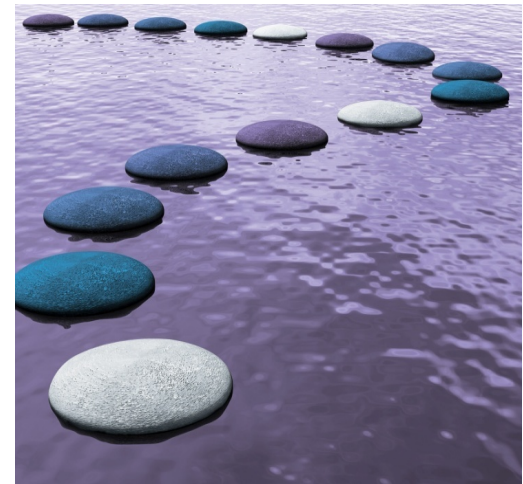
If having read this e-book, you would like to learn more or attend one of our Masterclass events, please [click here](#) or call us on 0118 959 8224. Alternatively, you can email us at [info@evolutioncbs.co.uk](mailto:info@evolutioncbs.co.uk)

Best regards,

Rob Goddard  
**Managing Director**

# *Preparing Your Business For Sale!*

**“The 11 commandments  
of selling your business  
for all it’s worth”**



# Preparing Your Business For Sale

*“we want you to know all the secrets of successfully selling businesses”*



## *During This Masterclass You Will...*

- Receive at least 39 key tips on selling your business.
- Understand the difference between “price” and “value”.
- Discover the 11 “must dos” in selling to maximise price.
- Find out the top 8 motives that acquirers have for buying.
- Know what questions a buyer will ask you.
- Learn what you need to create your route-map for exit.

# *About Evolution Complete Business Sales*

- Unique “**best of breed**” blend of 16 staff at our Berkshire offices.
- Sole **focus** selling SMEs in excess of £1m+ in sales.
- Experts in business sales, hundreds of transactions totalling more than **£2 billion** across all industry sectors.
- UK company with **global reach**.

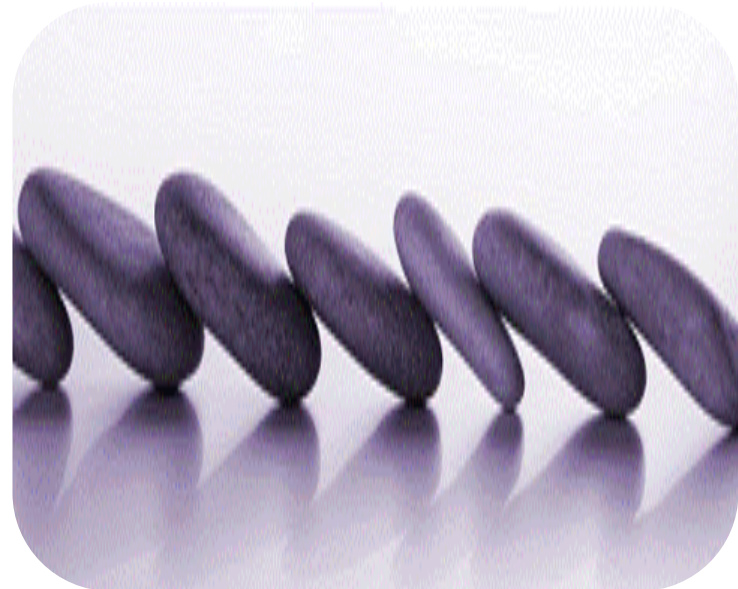
# International Reach





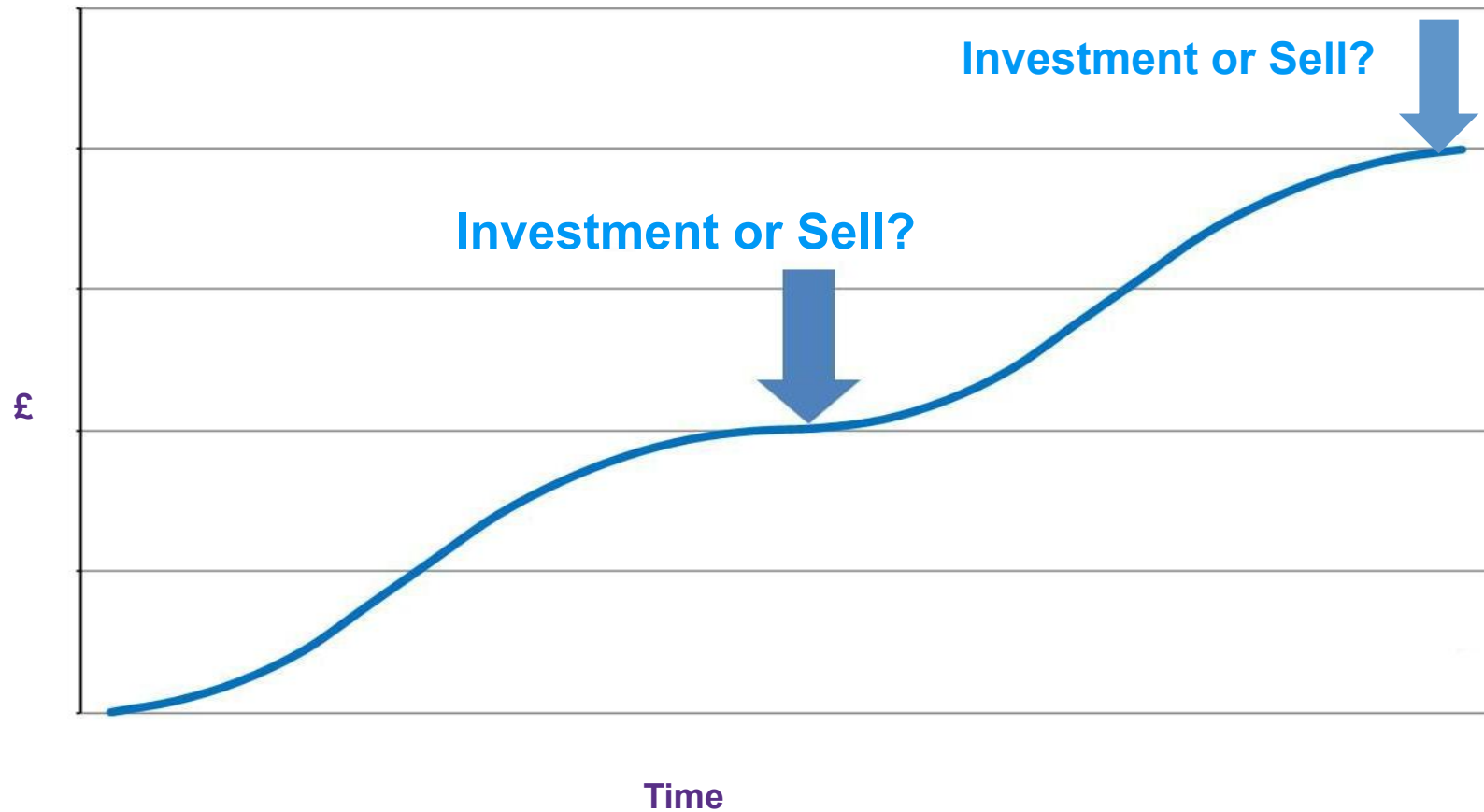
# *Top 4 Motives For Sale*

1. Time
2. Manager vs. Entrepreneur
3. Change of lifestyle
4. Change of Investment Cycle





# Investment Life Cycle



# *How Likely Is My Business To Sell?*

**7%**

**of UK businesses sold last  
year!**

(source: Coutts Bank 2010)

**Why so  
low?**



# *Why So Low?*

## **Primarily because owners:**

1. Try it themselves to “save money”.
2. Have unrealistic price aspirations.
3. Are ill-prepared for exit.
4. Instruct a 3rd party that is not effective in generating results.

# *Typical Failings Of The Traditional Selling Methodology*

- Poor research and marketing.
- Insufficient competition and choice.
- Little focus on future potential.
- Low/No offers.
- Seller unprepared for negotiations.

# *What's The Solution?*

- Understand what buyers are looking for.
- Comprehensive research to identify strategic buyers.
- Create & maintain competition between potential buyers.
- Sell the potential of the business.
- Understand the difference between “price” and “value” of a business.

## *The First Commandment : Create Competition/Choice Of Buyers*

- Approach at least 50 potential buyers best suited to your business.
- Conduct comprehensive, targeted research, home and abroad.
- Maintain competitive tension throughout.
- Generate more than one offer on the table.
- Don't go exclusive until you need to.

**Create a highly competitive environment to raise offers & terms**

# *Create Competition/Choice Of Buyers*

**“Perceived competition is just as powerful as actual”**

## **Case Study**

Aerospace Engineering firm...

Only one potential buyer interested in meeting...

1st offer £1.1m, client wanted 2m+

**Sold for £3.2m**



## *The Second Commandment: Be Proactive In Your Marketing To Buyers*

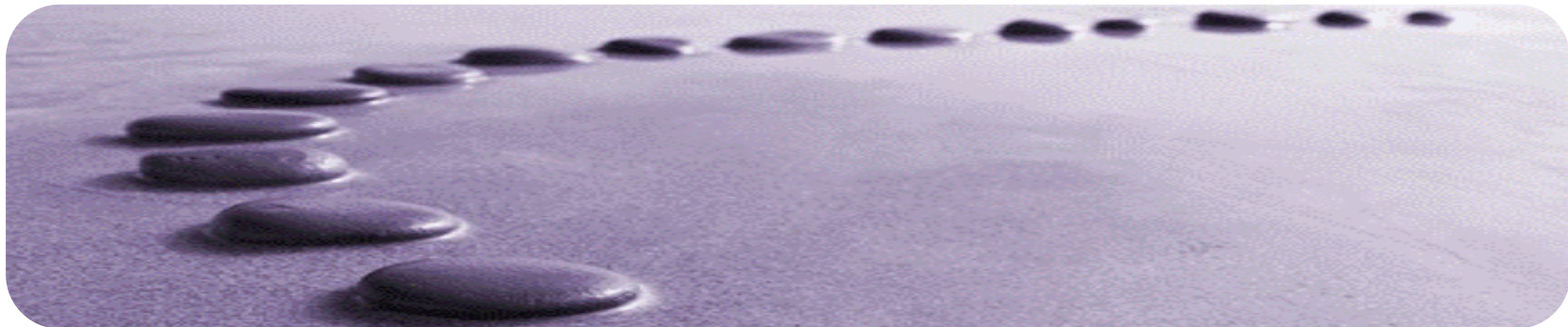
- Appoint experienced sales and finance professionals - typically 6.
- Call prospective buyers and sell the opportunity - at least 8 weeks duration.
- Make a minimum of 500 -1,000 prospecting calls.

# *The Third Commandment: Sell - Don't Just Advertise!*

- Don't just place an advert on a website and wait.
- “Sell” the future of your business under new ownership.
- Focus on motives for purchase, not multiples of profit.

# *Traditional Pricing Methods Are Flawed Because:*

**They are based on past financial performance,  
not future potential**



# *Traditional Pricing Methodology*

<b>3yr av. OP</b>	<b>£800,000</b>
<b>Salary</b>	<b>£110,000</b>
<b>Pension</b>	<b>£20,000</b>
<b>Car/Travel</b>	<b>£10,000</b>
<b>“Directors Whims”</b>	<b>£20,000</b>
<b>less new MD</b>	<b>-£60,000</b>
<b>Total</b>	<b>£900,000</b>

**After Corporation Tax**                      **£686,000**

**PE Ratio**    **6**

**VALUE**    **£4,116,000**

# True Market Value

## Case Study A:

- Supply of plant hire into construction industry.  
£5.2m T/O, £170k net profit

### What would you offer?

Company A	£1.7m	multiple of 10.0
Company B	£1.8m	multiple of 10.6
Company C	£1.3m	multiple of 7.6
Company D	£2.0m	multiple of 11.8
Company E	£2.2m	multiple of 12.8

**Company E SOLD at £2.4m**  
**Multiple of 14.1**

# *Impact On Our Client*

- £2.4m less tax and fees netted to £2.1m
- Compared to not selling:

Gross salary £65k

Net salary £40k

**Equivalent to working a further 52 years 6 months**

# *Why Would Someone Buy Your Business?*

**Acquirers buy for a variety of reasons, not just profit**

**Here are the top 8:**

1. Client base
2. Future growth
3. Globalisation
4. Developed products/services
5. Patents & Intellectual Property Rights
6. Operational and financial synergies
7. Skilled workforce
8. Profitability/return on investment



# *The Fourth Commandment: Always Decline A First Offer*

- Acquirers are experienced negotiators.
- 1st offer is never their best offer!



## *The Fifth Commandment: Turn Weakness Into Opportunity*

- Buyers look for early wins post acquisition.
- Play to acquirer's ego.
- Early disclosure avoids surprises in “due diligence”.

# *The Sixth Commandment*

- There is no set price for your business it's unique.
- It is worth differing amounts to different buyers.
- Don't leave money on the table!

**Never, Never give a price**

# *The Seventh Commandment: Appoint Specialist Advisers*

## **For example:**

- Lawyers
- Accountants
- Tax Experts
- Patent Attorneys

**Selling a company is a team activity**



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## *The Eighth Commandment: Ensure What You Say Matches The Paperwork*

- Inconsistencies cause buyers to be distrustful of sellers.
- Know your numbers - budgets, forecasts, market trends.
- Don't waffle!

# *The Ninth Commandment: Be Commercial, Not Emotional*

- Selling is emotional.
- Buying is commercial.
- Never take umbrage over criticisms of your business.
- Provide commercial arguments for a premium price.

# *The Tenth Commandment: The Devil Is In The Detail!*

- Set timescales and keep momentum in the process.
- Don't get bogged down in unnecessary detail.



# *The Devil Is In The Detail!*

## Case Study:

- Environmental business, £19.1m agreed offer, completion day 3 shareholders wanted their DB9s included free!!!



# *The Eleventh Commandment: Keep In Mind Life After Sale*

- Remind yourself why you are going through this process.
- Most common reason for a deal collapsing is...

## **‘Seller’s Remorse’**



# The Impact Of Our Methodology

Seller	Profit Before Tax	Sale Price	P E Ratio
Construction Equipment	£170,000	£2.4 million	14.1
Environmental	£83,000	£525,000	6.3
IT Services	£432,000	£5.1 million	11.8
Manufacturing Services	£948,000	£8.7 million	9.2
Financial Services	£872,000	£7.8 million	9.4
Recruitment/Training	£1,730,000	£14.3 million	8.3
Healthcare	£637,000	£4.2 million	14.6
Pharmaceutical	£270,000	£3.1 million	11.5

# *Evolution 9 “Deliverables”*

1. **Comprehensive “Business Review”**
2. **15-page sales prospectus**
3. **Strategic buyer list of around 70 companies**
4. **“Dry Run” preparation meeting**
5. **2-month calling programme, with weekly progress updates**
6. **A full report detailing market response**
7. **Chair all negotiation meetings, handle negotiations**
8. **Guide you through “Due Diligence”**
9. **Support, advice and expertise throughout**

*Evolution will work for up to a year, to sell your business, for the equivalent of less than £20ph*



Book *Today* For Your **FREE** Sellability Review

**2/3 hours now could  
double/treble what your business  
is worth in the future!**



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*Contact Us Now...*



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