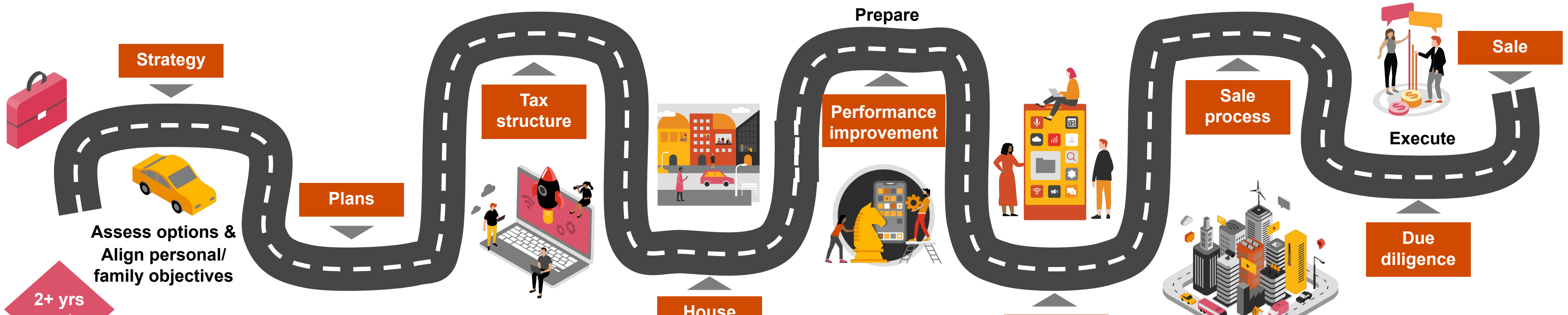
Top 10 tips for preparing your business for investment

Is your business investment ready? How prepared are you if the opportunity arose?

- What is your strategy for selling part/all of your business or transitioning ownership?
- Does your strategy align with personal and family objectives?
- What is the value of your business to a buyer?
- Do you understand the factors that can enhance or diminish value?
- Can you respond quickly to market conditions to maximise price – are you deal ready?



"Private Equity are professional business buyers and sellers and they typically take 3-5 years to prepare their investments for sale"

Top 10 tips for preparing to exit your business

Take your time: You will generally achieve a better result if you allow at least 6-12 months to properly plan the sale of your business

Put family first: Take family objectives into account prior to embarking on a path to sale; small differences now can become magnified nearer the point of sale and put the process at risk or lead to family conflict post sale

Know your buyer: The natural buyers of your business will typically pay the highest price; identify who they are and how they assess value so you can prepare your business to maximise valuation and competitive tension on sale

Make yourself redundant: If you are the key person running the business you need to step away and hire a strong CEO/GM and support team who can prove themselves for at least a year prior to sale; this will give a future buyer comfortable the business won't fall without you

Pay for some housekeeping: One of the biggest problems we see is a lack of investment in professional listing the business; sort out financial reporting and accounting, separate the owner's affairs from the business and tidy up legal and operational risks.

Work your EBIT (Earnings Before Interest and Taxes): Every sustainable dollar added to the EBIT figure is worth 'x' times EBIT when you come to sell; ideally give yourself two years to realise profit improvement initiatives and demonstrate their sustainability to buyers

Leave something for the next guy: Buyers will pay more if there are opportunities for future growth, such as new products, geographic expansion, or new channels; plan and partially implement these opportunities so that buyers can believe them, and therefore be willing to pay for them

Protect your sales proceeds: Any proceeds you make from selling your business will be after tax; make sure you have the right tax structure for sale. Also draw up a wealth strategy for protecting your post-sale proceeds to meet retirement and succession goals

Be prepared as timing can be everything: The M&A market in any given industry can grow hot and cold very quickly, and have a large bearing on valuation; get your business in a sale-ready condition as early as possible so you can respond quickly to changes in the market

Above all do your homework: You only get one shot at selling your business; engage the help of professionals when required; remember selling your business is very different to running your business

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Reach out to PwC Private

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