For SALE

Australian Business Sales

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7 COMMON MISTAKES IN SELLING A BUSINESS AND HOW TO AVOID THEM !

Selling a business is rarely considered a simple endeavour !

A business you've built up over many years means saying goodbye to something that is close to your heart – so close, in fact, that you may make inadvertent mistakes when attempting to sell.

Take yourself away from the situation and read the following list of common errors in the selling process. It may make letting go a little easier...

1. Lack of preparation

- Once you decide to sell your business, you can just call up the professionals and let them deal with it, right?
- Of course not. A lot of preparation needs to go into selling the selling process including taking time to plan your exit strategy and focusing on current issues in the business that may lessen it's perceived value.
- Australian Business Sales Corporation regard sellers who get the best deals are those who have left around 18-24 months or longer to effectively prepare for the sale of their business.

2. Making yourself indispensable

- If you place the weight of your business entirely upon your shoulders and are too integral to it's success - you won't have much to sell when you try to let it stand alone.
- Before you decide to sell your business, make sure that the team you have is capable of managing without you.
- Can it run smoothly without your expertise?
- If anyone shows potential or the desire for a higher position, train them up to solidify your management team.
- Essentially, the less your business needs to rely on you, the more it is worth to a potential buyer.

3. Out of date IT systems

- IT systems are incredibly important to a business' functionality, meaning that interested buyers will be very interested in what technology is in place.
- Either inferior or outdated technology could jeopardise the growth of the business, and this either reduces the likelihood of a sale or results in decreased value.

4. Not investing in thorough due diligence

- An essential process for buyers, due diligence is also a useful tool for sellers. It allows you to target key areas for improvement and other areas of potential you may have overlooked.
- Due Diligence takes the form of a report including a current financial profile and the potential for growth.
- This will also act as the main pitch to the buyer, allow you decide upon a realistic valuation for your company and expose any tax, legal or regulatory issues that you can fix before sale.

5. Unrealistic expectations of the value

- While you shouldn't go into the selling process in a negative mindset, being overconfident about what your business will sell for could put off buyers. This is a pitfall for many sellers.
- Be realistic about what your business will sell for and don't instantly reject bids you believe are much lower than what you want. Think more about what you need, be mindful of the current climate and try to place your emotional bias aside.

6. No valuation strategy

- There should be a strategy in place for the valuation of your business. After all, buyers will invariably question you about the reasoning behind the price tag on your business – what evidence is there for the valuation?
- What aspects of your business make it worth the price?
    - Turnover and gross profit?
    - Depreciable assets?
- There are a variety of pricing strategies that you could use, but a simple one could be based on the profit generated by the business. For example:

Value = adjusted net profit x profit multiplier

- You could also use EBITDA (earnings before interest, tax, depreciation and amortisation), EBIT (earnings before interest and tax), asset valuation, business brokers and other professionals to obtain a valuation.

7. No confidentiality agreements

- The signing of confidentiality agreements is an essential precaution when selling your business.
- Due diligence is a necessity when selling a business, however if the correct agreements aren't in place competitors could use the process to obtain access to private information.
- To stop this from happening, a Non-Disclosure Agreement (NDA) should be entered when negotiations start.
- This can prevent potential buyers from sharing confidential information about your business or clients.
- On the road to the final sale, you'll likely make mistakes. However, it's how you rectify them and persist which will lead to a happy outcome.

SO

Contact Noel Currie to obtain the best possible professional advice on how to prepare your business for sale to achieve the best and most profitable outcome for the divestment of one of your most valuable assets

YOUR BUSINESS