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Maximising business value on exit

We explore 10 key steps in this comprehensive guide.

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PHASE 1: OPTIMUM PERFORMANCE

Step 1 – Profit Improvement

Improve the profitability of the business by removing waste. There is no point to putting more business through an incapable business and a key measure of how efficiently a business converts its sales is the profit of the business. One of the most efficient industries globally is the automotive component manufacturing industry and the lessons on how they remove waste can be applied to any other industry.

Step 2 – Growth Plan

Grow the business. A positive trend line of the sales growth can provide confidence that the sales process in the business is working well.

At the end of this first phase the business performance should be optimized, cash is created to fund the next phase of the process, and the sales and profit trend lines show a continuous and predictable improvement. It is at this point that Phase 2 can be commenced.

PHASE 2: POLISHING THE BUSINESS

Step 3 – Lock-In Revenue

Make sure that, wherever possible, the future revenue of the business is locked in, preferably with long-term contracts. A buyer of the business needs a degree of certainty of the five-year revenue outlook so contracts with customers need to be robust.

Step 4 – Lock-In Management

Establish a management infrastructure that removes reliance on the owner. The management skills and experience (and processes) to lead the business in the absence of the owner need to be in place.

Step 5 – Brand

Protect the brand of the business. Mechanisms for this include the web-presence, social media, patents, and other intellectual property protection.

Step 6 – Reduce Debt

Reduce the debt levels of the business in order to clean up the balance sheet. The cash created in Step 1 can be used to retire debt and remove loan accounts.

At the end of Phase 2 the business looks as good as it can and it is now that the sales process can formally begin.

PHASE 3: CREATION OF THE SALE

Step 7 – Find A Buyer Who "Needs" The Business

Ideally several potential buyers have been identified at this point (through brokers or other industry contacts) and an analysis of why the business is essential for each potential buyer is carried out. This analysis often requires changes to the look and feel of the business. The information gained from the analysis enables a specific sale process for each potential buyer to be developed and implemented.

Step 8 – Negotiate Well For The Seller

Make sure that the negotiation process goes well. Often the business owner needs to be coached on their role in the sale. The psychology of the sale process must be clearly defined and followed. There is no point in having built a valuable business and then handling the negotiation of the sale badly.

Step 9 – Anticipate All Objections & Value-Reducing Tactics

Anticipating all the likely objections that will be raised by the buyer and their value-reducing tactics in the sales process are just part of the sales process planning.

Step 10 – Manage All Risk

To manage the risk in the sales process we suggest using a Failure Mode and Effect Analysis (FMEA) process to control all identified risks.

If these ten steps are rigorously followed over a period of 2-4 years the probability of getting a high price for the business is maximised. Don't leave the opportunity to make these critical changes too late, ask for assistance.

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Speak to an expert today

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