

When it's time to sell up and move on

Selling a business which you have spent years building can be a difficult and emotional task not to mention time consuming.

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However with the right support and guidance, it's a worthwhile and enriching journey, according to former park home estates owner, Jacki Rodikis, who recently sold her company.

Based in Swindon, the company ran two park home estates which Jacki bought in the 1970s and developed over the next 40 years, while raising three children and writing her autobiography 'Because You Are A Woman'.

"I had been thinking about retiring for several years when I suddenly reached that pivotal moment when the time was right to sell," explained Jacki. "I approached a couple of agents who specialised in park home estates and they gave me a good indication of what the business was likely to achieve in the market. I then talked to my accountant about the tax implications before speaking to an independent financial advisor about whether the remaining proceeds would generate enough of an income to allow me to retire.

"Once I was satisfied on all of these counts, I put the business on the market

and it didn't take long to find a buyer. I engaged Withy King to assist me with the legal complexities. The most daunting task was researching the parks' 40 year history to ensure I hadn't forgotten anything that might invalidate any of the warranties. Getting it wrong and being faced with a claim could see me lose everything - which I found extremely worrying and difficult to deal with.

"Fortunately, the team at Withy King were extremely supportive and successfully negotiated the format of the sale documents in such a way that I was able to complete the sale with confidence that all eventualities had been fairly covered. Rishi Ladwa and Martin Evans did a brilliant job and their knowledge and understanding of the issues, gave me full confidence in their ability to represent my best interests.

"It's been a very steep learning curve but an interesting journey and I've learnt a lot from it. I would advise anyone thinking of selling their business to be prepared to work very hard and to be actively involved in all the legal and accounting aspects of the sale. No-one knows your business like you do so ultimately it's down to you to provide your advisers with the correct information that they need to best act for you. Find professional advisers that you can trust and have total confidence in. I could see that there were lots of potential pitfalls for people who don't get the right advice or try to take short cuts, particularly when it comes to warranties."

Plan ahead

"Ideally, and where possible, business owners and directors should think about the potential sale of their business several years before they decide to start the process because forward planning will definitely help in achieving the maximum value," said Rishi Ladwa, a corporate solicitor at Withy King in Swindon. "There is no hard and fast rule about the optimum time to sell but it will be heavily influenced by market



Rishi Ladwa,
corporate solicitor,
Withy King

conditions. "Perhaps one of the most important aspects of selling a business is patience. It takes time to achieve the desired result and the best practice is to continue to run the business as if it was not for sale. A business will not sell overnight but the more prepared the shareholders are, the faster they will sell."

Rob Beale, a partner at accountants and business advisers Morris Owen, said there was a growing appetite for deals in Swindon and across many parts of Wiltshire but warned they were taking a long time to complete, partly because it is a buyers' market and partly because finance remains challenging.

"I've been involved in three management buy-outs recently, all of which have been on an earn-out basis as this was the only way the buyers, in these cases the management teams, could finance the purchases," said Rob. "It is crucial that any business owner who is considering selling a business instructs a decent solicitor who will protect them from risk during the earn-out period and help them to realise their money as



Rob Beale,
partner,
Morris Owen

quickly as possible. Forget the headline price, what matters is what you will walk away with in your pocket once the deal has been done, and this requires careful financial

planning from the outset. Business owners need to be confident that what they will earn from the sale will be enough to enable them to achieve their aims, be that retirement or funding their next venture."

Employment considerations

Lauren Harkin, an employment solicitor at Withy King, advises business owners with employees to inform their staff about their plans at an early stage and keep updating them throughout the process. "For most businesses, the people they employ are their main asset, so it is important to keep staff engaged and feeling positive about the future," she said.

"The two main employment law considerations when businesses are being sold are The Transfer of Undertakings (Protection of Employment) Regulations (TUPE), and redundancies. TUPE protects the employees

of the business being sold and enables them to transfer on their existing terms and conditions to the buyer, who will be their new employer. Before the sale completes, both the seller and the buyer should enter into a period of information and consultation with representatives of the workforce about the proposed transfer and any changes which may take place. If there is some overlap in jobs and redundancies have to be considered, it is imperative that they are carried out fairly, and proper consideration must be given to how employees might be selected and whether there any alternatives. The selection and scoring of employees in a redundancy exercise before or after a business sale is particularly complex as it is generally difficult to identify an independent scorer when two businesses are merged into one."



Lauren Harkin,
employment solicitor,
Withy King

FIRST STEPS IN PREPARING A BUSINESS FOR SALE

Crystallise your personal and business aspirations and plan ahead:

Why do you want to sell?

Do you want to sell by a certain date - for example to avoid forthcoming tax changes or the threat of a declining market?

Do you have a target price and what payment terms would you be willing to consider?

Do you wish to stay on in the business and continue to be involved in running it?

Will your strategy secure the jobs of your existing employees?

Have you thought about how best to minimise your personal tax liabilities?

Early tax planning advice from a suitably qualified expert is essential.

Consider how to present your business in the best possible light:

Be able to demonstrate and prove a good solid financial record. Ensure your systems are working properly and the business is under control.

Ensure information is readily available and accurate.

Minimise the buyers' risks - for example by turning informal arrangements with customers and suppliers into formal contracts.

Premises, equipment and stock should be well maintained and professionally presented

Develop a strategy for reaching out and talking to potential buyers:

Who are the potential buyers? Competitors, suppliers, customers, your own management team and investors are all candidates.

Consider instructing a corporate finance adviser to help you groom the business, identify buyers and prepare a sales memorandum.

Make a list of key targets and decide whether to approach them directly or through an intermediary.

Ask potential buyers to sign a confidentiality agreement before you begin discussions.

Be prepared to look at different payment options and weigh up a good offer against a properly financed offer.



Jacki Rodikis