
# TOP 10 TIPS TO ENSURE YOU GET THE BEST PRICE FOR YOUR PRACTICE

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At the Hakim Group, we have been buying optical practices as well as other businesses for over 15 years and having reviewed hundreds of opportunities, there are some common areas which differentiate a good practice or business, that demands the attention of a potential suitor, from the somewhat more average propositions that are out there in todays marketplace

There are different reasons why individuals decide to take on the challenge of running their own business. Some want the freedom to make their own decisions, others want to increase their earning potential. Whether the business has been a success or otherwise, unless there is an alternative succession plan, most owners will find themselves in a position where they need to sell the practice to move on to pastures new.

The first question you need to ask yourself is, Why are you thinking of selling? Are you bored with doing the same thing for the last X years? Do you enjoy the clinical side but don't wish to continue with the headache of managing the business? More time with the family? Or are you simply deciding to retire to spend more time on other parts of life? These questions play a vital part in determining where and when to look for a buyer. For example you may feel that the business will need to access new technology, or new marketing ideas, or it has grown to a size where you are unwilling or unable to manage it. In these cases the buyer is likely to be someone with the financial and management muscle to take it forward.

How will you sell your business - shares? Business assets? What will you be offering?

Are you prepared to offer a continual input for a period of transition? If there is more than one owner, are all shareholders agreed on what is for sale (just your shares or the whole lot)? How will consideration be paid (a cash deal, or a higher, but deferred amount).

Many owners put in decades of hard work building their business, only to throw away some of the rewards by failing to consider the sale process properly. Use our top ten tips as a guide and you should realise the best value for your hard work.

## 1 GET THE TIMING RIGHT

Allow enough time to plan ahead when selling your business. Establishing a timescale leading up to the sale enables you to cover everything that needs to be done, and means that your business will be sold in tip top condition, with increasing profits and good growth prospects. Factor in seasonal allowances - Do you want the sale to be based on historic or prospective earnings: ie by delaying a sale until perhaps two months before the end of a trading year, it may be possible to secure a sale price based on improved current year earnings compared to a lower price if the sale is based on historic earnings. You may have a timeline in mind for a sale, but timing is generally dictated by market conditions. The best indicators of when to sell are the financial climate, potential buyer profiles and market trends. Early planning will ensure that you have the right structures and processes in place to maximise success when conditions are right. Begin with your ultimate goals – the price you wish to achieve and when you want to sell, what does your ideal buyer look like, and what does your transition plan look like….. do you want a complete clean break or do you want to stay on for a year or two on the same hours / fewer hours, without the hassle of running the business. Your aim is to create a valuable, viable business that is attractive to potential purchasers. Waiting too long, or not planning in advance, can cause many business owners to miss their window of opportunity. Long-term planning is key to any successful business sale. By keeping updated records, a detailed business history and any management info on hand at all times, it will make your planning pay off. You just never know when that perfect buyer may walk into your business and make you an offer you just can’t refuse. The ideal purchase is where the buyer and seller both feel that a good deal is being transacted.


## 2 VALUATION CRITERIA

Valuation, valuation, valuation!!!

The purchase price is simply “the amount a willing buyer is prepared to pay a willing vendor”. Before embarking on the sales process you will need to have a reasonable idea of the worth of the business. It may be based on net assets, or cash generation, or a multiple of profits or some combination of these. The rate of improvement or decline in these will also be an influence. This is an art rather than a science. It is usual practice to prepare the accounts of a privately owned business in a way that minimizes earnings and profits for tax purposes. However, for valuation purposes you wish to do the opposite. Bear in mind that your business is only worth what the highest bidder will pay. Your view of this may be very different from the view of a prospective buyer, and a business that is heavily dependent on one person, product or customer may be difficult to sell. If the business is seen to revolve around you as the business owner, it makes the business less attractive and less valuable. Setting a very high or unrealistic price tag on a business can lead to a dead end street. Expecting to get top dollar for a business that generates little or no profit is simply using bad business sense. Consider recent sales in your industry (a business being advertised at a particular price is not worth that amount until somebody has paid that sum!!) , similar businesses, the economy and your marketplace when pricing your business to sell. Another mistake is to price the business too low. Often business owners will price their business low because they are burned out, suffer from an illness or did not get good advice. Do your homework first! Listen to brokers and consultants. Do research about other business sales before jumping in with both feet. Profits will not always be the sole influence. Valuing businesses is definitely an art. We will not know all of the factors in the equation, and therefore, have to best guess in most cases. Always ask yourself what you would realistically pay for it if you were in the 'buyer's shoes'. Also, you may need to consider the fact that the new owner may not need to be involved each day and minimal effort may be required. You need to establish at an early stage your minimum acceptable price and, if there are separate elements of it, what, if anything, is negotiable or tradable. A consultancy contract for 2 years?

The numbers speak louder than words!!

Historic accounting facts are extremely important as well as potential risks arising from change of ownership, for example loss of customers. A business that relies on a few customers can be considered high risk and therefore less valuable. Spend time improving profitability, minimising risk and working on future growth areas.

As the proposed sale window approaches, review every facet of the business and address any problems that could occur during the sale process or could devalue the business, whether legal, accounting, tax or environmental issues. No-one will want to acquire a business with an outstanding VAT enquiry or employment tribunal issue, at least without a price reduction. Carry out an internal due diligence exercise to see what skeletons a potential buyer's due diligence would discover, and then resolve them.

## 3 CAPITAL EXPENDITURE

The best time to sell is once any large investments you have made have reaped their rewards in terms of profit and cash-flow benefits. If you cannot avoid incurring significant capital expenditure, you may not be selling at the right time.

## 4 CUT COSTS WHERE YOU CAN

Preparing a business for sale is the time to re-examine basic procedures and cut any unnecessary costs. You can also maximize working capital by reducing stock levels and controlling creditors, and make savings by reducing advertising for future business or not hiring new staff. However, beware of making short-term profit gains that will adversely affect long term prospects: buyers will see through this in the due diligence process, and if the sale falls through then you will be left to deal with the consequences.

## 5 THE IMPORTANCE OF DUE DILIGENCE WHEN BUYING A BUSINESS

The element of chance and risk that is inherent to the acquisition of any business or part of a business these days can be efficiently minimised by thorough due diligence by the buyer. You have to be prepared for this. The broadness of the term 'due diligence' indicates the broadness of the process, which if carried out correctly, will leave a buyer knowing exactly what they are getting themselves into. A thorough due diligence process will tell a buyer what needs to be fixed about a business, what and how much it will take to fix it and, crucially, whether they are in fact the right organisation or person to take it on.


The process is much more than just about the basic finances of a company. Thorough due diligence will tell a buyer all they need to know not just about the financial details of a business, but also about any legal issues concerning it, including regulatory and litigation issues; and its commercial position - where it stands in the marketplace, and how it relates to both clients and competitors. It leaves a buyer in the best possible position from which to make a decision and safeguards them against future problems.

The results of due diligence should leave a buyer with comprehensive knowledge of a company's employment terms and conditions, major contracts and orders, its operational systems, environmental issues and much more. If your paperwork is in order then this process should be pretty straightforward

## 6 PROTECTING YOUR COMPANY'S VALUE DURING A SALE

A sales process could take months to complete. You will almost certainly be bound into a period of exclusivity that will preclude you from negotiating with other interested parties. You also want to make sure, however, that if a deal does fall through, your business's reputation and viability remain at the same high standard as before.

Protecting your business through the course of the sale can be a difficult task, but a few key points of prior preparation can ensure that the deal does not become diluted by the buyer's demands and maintains its normal operation's survival through the negotiating and due diligence period.

Both during the exclusivity period and beyond into the next phase, you should ensure that customer service is not adversely affected in any way.

Due diligence on your company should not commence before a price and terms are agreed but, when they are, the buyer and their advisers will want to spend some time analysing documentation. Having this - and all of your financials - in good order will serve to strengthen your position and the ongoing process.

## 7 YOUR ROLE

Your role in the business is central to its valuation. A business that is completely dependent on its owner is worth less to an outside buyer than a practice which has a good level of autonomy. Take steps to reduce this risk by ensuring that a strong team is in place, and consider incentive schemes to retain the loyalty of key employees. Smarter buyers will want to look into the history and future prospects of the existing workforce. Will there be harmony or disruption?? The amount of time you are willing to stay on Post-sale can also help increase the value as the new owner will have continuity and stability for a period and will give the new owners some time to settle in.

## 8 SEEK PROFESSIONAL ADVICE

Selling your business will be arguably be the most important transaction of your life, so it is essential to seek advice from professionals who can help you to make the most out of the sale. Your accountant will help you prepare the business' accounts and take care of any financial forecasting, and you will need a solicitor to advise on legal aspects such as drafting sales agreements. An inexperienced solicitor might drag out the sales process and could even cause the deal to collapse. Never let a lawyer negotiate a commercial element of your deal. That is not what their role is and they were certainly not trained to do this. Their job is to protect what you agree and point out pitfalls, make sure they do that and only that!

## 9 PLAN FOR AFTER THE SALE

When selling a business, it can be hard to see past the end of the deal. However, if you are going to receive a large amount of money for your business, then you need to plan what you will do with it beforehand. Seek the appropriate tax and investment advice so that you can enjoy the fruits of your hard work to the full once the sale is complete.

## 10 HAVE PATIENCE - FIND THE RIGHT BUYER

The most important part of selling a business is patience. Selling takes time. It is important for the owner to continue to operate the business as if it was not for sale, as well as to understand that businesses do not sell overnight and many deals fall through. The more prepared your business is for sale, generally, the faster it will sell.

Taking the first offer may not be a wise choice. This may not necessarily be your BEST offer. Business sales can go bad after the new owner takes over. The new owner may lack business experience, have a closed mind or be a poor leader. The list goes on and on. Evaluate your options and make the best selection for the long term. Ask yourself, could you trust the new owner to do a good job? Do they have a track record? can they quickly connect with my customer base and learn how to market effectively? When the business sale goes as planned, it creates a tremendous opportunity for both parties and the success continues.


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