



HYDE HOUSE

BUSINESS BROKERS

www.hhcbs.co.uk - info@hhcbs.co.uk - 0333 3440 778

Selling a business for maximum value

How do I sell my business?

The purpose of this guide is to enable anyone selling a business to gain a basic insight into the complex process, the options available to them and how to make informed corporate decisions about selling.

Hyde House provides access to a fully advised selling process through an experienced and successful business broking service.

When considering selling your business, the first step should be to approach a reputable business advisor for an honest market valuation and an initial no obligation consultation.

[Free Business Valuation](#)

[Free Confidential Consultation](#)

For most people selling a business is a 'once in a lifetime' experience and even the most successful business professional without the help of an expert business broker will not have all the relevant skill sets to complete a successful business transaction.

Before entering into the sales process it is important to understand what the often complex, lengthy and emotional process entails.

This helpful guide will enable you to engage with your business broker with added confidence and ensure you get the service you pay for and deserve.

Essential information for business owners



- [The options available to business owners](#)
- [What is a business broker?](#)
- [What are the different types of broker?](#)
- [What do business brokers charge?](#)
- [How are businesses valued?](#)
- [How much is your business worth?](#)
- [Why you shouldn't go it alone](#)
- [The Do's and Don'ts and mistakes that people make](#)
- [How to sell for maximum value and retain the proceeds](#)
- [What is an exit strategy?](#)
- [The process of selling a business](#)



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The common options for selling a business

There are two common routes to selling a business.

1. The first is to use a professional advisor that is properly qualified through experience, expertise and integrity
2. The second is to arrange and oversee advertising and manage the process yourself

The determining factor on which route to choose is usually based on the business valuation, smaller businesses e.g. with a potential value of up to £500k may be best suited to an advertised sale.

The main drawback of this is that you (the seller) have to filter all enquiries and eventually negotiate and complete the sale.

It is sometimes advisable to introduce a business broker once a number of leads have been created and then negotiate a reduced fee for the advisory service necessary to take the process through heads of terms, due diligence and completion.

Larger businesses (valued at £500k and above) will always benefit from the involvement of a professional business broker with a proven track record of successfully leading, negotiating and closing deals.

What is a business broker – what services are provided?

Hyde House is a business broking professional and expert service with a track record and time served in buying and or selling businesses. Not all brokers are the same and you should expect a broker to have completed a number of transactions and to be 'commercially' aware of the skills needed to run and build a successful business.

If you are seeking an advisory service like that offered by Hyde House, you will need your broker to be able to demonstrate that they have held senior positions, with profit and loss responsibilities, in larger firms. They should have taken entrepreneurial risks in the past with the experience of successfully running their own businesses. This will ensure that they are advising you from a position of earned authority.

The role of a business broker should be to advise on value and manage the process of selling your business ensuring that your business is optimised prior to sale and that any trading issues are resolved.

The broker creates the marketing materials, identifies and qualifies potential buyers and then negotiates and closes the deal. The period from negotiation to completion involves a period of due diligence and you should expect your broker to chaperone you through the entire process.



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What are the different types of business broker? – Why does it matter?

It is vital that you thoroughly check how particular business brokers undertake their role, what their company size and scale is (big is not necessarily beautiful in this case) and more importantly what fees they charge for the service they claim to provide.

Some brokers simply rely on advertising businesses in e.g. the Sunday press and on the Internet and therefore are dependent on buyers being attracted to the adverts. The extent of skill and advice is therefore limited.

They do not use a network of deal makers and neither do they proactively research the market place for the most likely buyer.

When responses are received they pass on your details to the prospective buyers and may effectively push some of the burden back to you to negotiate the transaction and legal contracts. In other words they leave you to deal with the potential buyers and the buyers own professional advisers directly.

Other broking firms claim to be research led and for this service they attempt to charge a large up front fee. This is more proactive than the advertising model but it is important that you seek value for money. Most proactive brokers expect to undertake research and reflect this as part of the overall service within their engagement and success fees.

Proactive Business Brokers

Hyde House is a highly motivated and proactive business broker, understanding that as a client you expect us to manage every stage of the process and to add value by understanding your business, undertaking research, finding and qualifying buyers and bringing into play a large network of professional contacts both in the UK and internationally in order to conclude a successful transaction.

Brokers may be larger national firms or smaller independent companies. Bear in mind that the higher the costs base of a broker the larger the fee is likely to be.

Larger companies often have a less intimate relationship with their clients, these brokers and agents will be managing a large portfolio of businesses and you may be exposed to very junior staff.

Hyde House provides a fully advised relationship based service where all deals are led by a senior partner. Brokers employing a large staff have to ensure that salaries are met and therefore there will be a natural tendency to place emphasis on “up front” fees which protects the broker from failing to sell the business. This is not the case with independent or boutique brokers working on a “no success no fee basis”.

Independent brokers working on a this basis will be more selective about the number of clients they work with and in turn ensure a truly personal and dedicated service.

Selecting the right business broker will enormously increase the likelihood of a sale and the price your business is sold for.



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Selecting a business broker check list:



The broker has demonstrated a good understanding of your business



They have demonstrated professionalism, integrity and expertise



You can strike up a good professional relationship You have met the individual personally leading your deal - beware the 'b' team.



You understand the role and services to be undertaken and provided, by your broker (passive or proactive) and that they have realistic expectations of finding a buyer.



The fees you are paying are fair for the services provided and are based on success.



The broker is focusing on your business and personal advisory needs and not on a large number of clients at any given time.



Your broker has provided a justifiable market valuation and is working to secure the maximum value for your business.



The broker will manage relationships with your other professionals e.g. lawyers and accountants as well as manage relationships with the buyer's professional advisers



The broker will ensure attendance at all meetings, to offer expert support and advice.



You are paying for results. Why should you pay a large upfront fee without any real guarantee that a buyer will be found in a sensible timeframe, or at all?



You are protected post sale. Your broker must help you create a deal structure that limits your post sale liabilities.



If you chose Hyde House you will be dealing with a dedicated and experienced broker who has an intimate knowledge of your business, the deal market and who will be working to achieve maximum business value.



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Selecting a business broker - fees

It is important that you take great care in the area of fees and agreeing what you will pay both initially and upon completion and what terms apply to your relationship.

Also take care that the brokers fee is not mandatory regardless of whether a deal is actually concluded.

What do business brokers charge – what are the fees for selling your business?

If a broker is offering an advertising service why should you give up a percentage of the value of your business should a sale be achieved? When you engage a firm to market your business through an advertising model you should only expect to pay for the cost of advertising and handling the responses. This should be a fixed and flat fee.

If the broker is going to engage in negotiation after finding a potential buyer then at this stage a fee based on the percentage of the selling price should be anticipated. Be extremely careful not to pay too much money up front for this service.

In the event that you engage a broker to provide a full broking service (that's what an experienced and qualified broker should offer) then you should expect to pay a percentage of the selling price and a small up front commitment fee.

What is a reasonable fee is a matter of personal choice but the following may offer some guidance:

Business valuation £1m

Up front engagement fee up to £5,000 (plus vat)

Payment on completion 3% = £30,000 (plus vat)

Other fees or expenses – nil

This example is given simply as a guide and please keep in mind that the higher the value of your business the lower the completion percentage should become in general terms. However, be prepared to pay more to your broker for achieving higher than expected values.

Please also take care not to rush into signing up a broker and repent later when the fee structure becomes evident. Brokers should not demand high up front payments if they are to receive a percentage of the final selling price.

Bear in mind that if you are asked to sign a lengthy and complex set of business terms of what should be a simple and transparent agreement, it is being complicated for the benefit of the broker only – ask what that benefit may be and run it by your business solicitor.



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Business Valuations - The single most important person in the valuation exercise is YOU!

What value do you want to achieve as a minimum for your business to make it sensible to sell it?

It's important that you take a dispassionate view of your business and apply your own measure on value. What would you pay either as an individual or a business for your business?

Your valuation is an important hurdle and will be an important discussion your broker should hold with you and be candid about your chances of achieving your value objectives.

Beware the broker that inflates value expectations simply to ensure you sign up! Unfortunately it is not unknown for valuations to be inflated in the search for a sign up fee. Don't be flattered, be pragmatic and ask for evidence of comparable successful deals.

You should be prepared to reward your broker for achieving higher values than your initial expectation. This is in order to be sure that your broker is not only trying to sell your business but is striving to achieve the maximum value. Be prepared to offer a further incentive to them for selling above the expected value.

Ask your broker 'how they will achieve maximum value'?

Traditional methods of valuing a business can give a good indication of price expectations to the seller.

How much is my business worth?

Instinctively, you are likely to have a feel for the value of your business.

Ask yourself the question, "How much would I pay for the business?"

Also ask the question, "How much would I accept for the business?"

Around this point you have established the minimum value you would be willing to accept. A third party valuation will involve the assessor understanding the profits of the business, the assets and any liabilities and the outlook for future trading and deals within the sector.

In the real world however, the business is worth what seller will accept and what the acquirer is willing to pay.

Methods of Valuation Include:



- A multiple of the business annual turnover
- A multiple of the net profits
- A valuation based on the balance sheet
- Discounted cash flow

The important thing to note is that the above methods give only a general indication of value.

With these indications you can create a price range from the minimum you are willing to accept and sell for and possible maximum values that you may be able to achieve.



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Should I go it alone?

If you have sold a number of businesses, if you can be dispassionate about criticism of your business, if you can leave your business unattended for a long period of time, then maybe yes you can manage the sale alone!

In reality, it is never a good idea to attempt to sell a business without good advice, a full understanding of the process and the previous experience of successfully selling businesses.

Remember, selling a business is complex; it requires a range of business skills and is time consuming and stressful.

Utilising the skills of the right business broker can greatly increase the likelihood of a successful sale for maximum value. A good broker will help you steer clear of costly mistakes and limit your post sale liabilities.

What mistakes do people make when selling their business?

A costly mistake can be to appoint the wrong business broker for the wrong fee only to find you are locked in to payment even if you find a buyer direct.

It is your responsibility to understand a brokers terms and conditions. Terms should be simple and straight forward you should be very suspicious of lengthy and complicated contractual agreements.

Take time to compare the terms of other brokers.

Hyde House uses a simple one page agreement - <http://www.hhcbs.co.uk/terms.pdf>

[Download: Terms of Business](#)

Common Mistakes

Common mistakes include over valuation, selling at the wrong time and not preparing the business for sale properly. Deal structuring and de-risking is an essential part of what your broker and lawyer will do for you.

Business owners may find that they cannot effectively manage their business and manage the sales process simultaneously.

Taking your eye off the ball during this process can impact not only the valuation but also the chances of completing a deal.

Working with Hyde House will enable you to continue with the management of the business while working in and supporting the sales process.

Don't make yourself indispensable. Your business value will be affected if the business cannot run without your day to day involvement. Make sure your successors are in place.



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The do's and don'ts of selling a business

Here are some simple pointers to help you avoid common mistakes made when selling a business.

Do's

- Do seek advice on value from an independent broker
- Do challenge any opinion offered by seeking evidence
- Do seek a detailed summary of why a business is being valued at a particular amount
- Prepare your exit plan thoughtfully and carefully – Hyde House can help you with this process
- Use a broker even if you believe you know who will buy your business
- Maintain confidentiality at all times

Don'ts

- Tell friends, staff or even competitors that you are thinking of selling – uncertainty will create issues for the business and its prospects for being sold.
- Expect that competitors will be obvious purchasers. They may simply take your customer base should they become aware of your planned disposal.
- Don't publicly discuss or offer sale to your friends and associates, insist on a Non Disclosure Agreement and approach potential buyers with discretion, preferably through an intermediary on a "no names" basis.

How do I get the maximum value for my business and sell it for all that it is worth?

By appointing Hyde House you will be represented by a business that has a track record of selling businesses for maximum value.

The value achieved will depend on the future profitability of the business for the acquirer.

That profitability can be and indeed should be greatly different from the current performance.

A buyer will seek to achieve cost reductions through including the business within the buyer's own infrastructure .e.g. removing the finance department in favour of its own finance team, taking out the salaries and costs of the owners and removing potentially excessive benefits for directors and so on.

The buyer will not however normally volunteer to pay for these improvements through the price of the business without being encouraged to do so!

The onus is therefore placed upon the seller to illustrate the improvements a new owner can bring to the business and indicate value expectations based on the future profits to be enjoyed. This is sometimes referred to as "seeking a multiple of the adjusted profits and recognising the combined synergies".

Perhaps most importantly, the value achieved can be influenced through competition.

One or more interested parties engaged in actively pursuing the business will create competitive tension and potentially drive the value up. A further consequence of competition is the ability to select the buyer that is offering the most favourable terms for e.g. payment of the consideration, and the terms and conditions within the deal and perhaps the handover periods and responsibilities etc.



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The bird in hand - a note of caution:

When considering an offer in your value range (min – max) from a single interested buyer there is a risk associated with not accepting the offer and waiting for further interest. In many cases only one genuine buyer may come to the table. Your broker should always maintain dialogue with the business that has made an offer and if the issue is one about price, on the assumption that the gap is not too wide, then a deal should be able to be struck. The broker has to use skill and judgement and presentational skills to demonstrate why your business is worth your premium price.

What is an exit plan or exit strategy?



A good exit strategy should cover...

- Finding potential buyers
- Marketing the business for sale
- The best time to sell the business
- Resolving partnership/shareholder issues
- Potential cost cutting and efficiency measures
- Preparing key management for succession

Forward thinking businesses will deploy an exit plan some years before actual disposal.

Put simply the exit strategy is a documented project plan covering all key points that will enable disposal in the best possible way and therefore for the best possible value.

A holistic exit plan will address key strengths and weaknesses in the business, will address the target buyers and ensure that succession management is in place.

An exit strategy might even be created around the basis of succession by the management team with or without continuing involvement of the business owner.

Hyde House can work with businesses to create an exit strategy designed to maximise the business's value and greatly increase the chances of a successful completion.

Whether you are planning to sell now or in five years time, we can help you build an effective exit strategy

Call today to speak to us about creating an exit strategy

Don't leave your exit to chance: 0333 3440 778 - info@hhcbs.co.uk - www.hhcbs.co.uk



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About Hyde House Consulting & Broking Services



Barry Parsons Managing Partner

We provide a fully advised broking service which is focused on a personal service and led by a senior partner.

Our service is professional based on integrity and expertise and is at all times completely confidential.

We manage the process from 'soup to nuts' in other words we look after the entire process from research and marketing through due diligence and contracts.

Our focus is on businesses with a deal value of £1-20m

We sell businesses to international buyers including trade and Private Equity. We use in depth research to identify buyers and businesses for acquisition. We provide discreet and confidential marketing as part of our fully managed advisory service.

This service is provided on a 'no success no fee' basis with a small commitment fee charged up front.

We sell businesses in all sectors and recent successes include:

- Engineering & Automotive
- Manufacturing
- Niche Marketing
- Internet Marketing & SEO
- Oil and Gas
- Importers and Wholesalers
- Software Companies
- Print and Packaging
- Motor Factor Services
- IT and Software Development
- Financial Services
- E-commerce



Call today to discuss buying or selling a business

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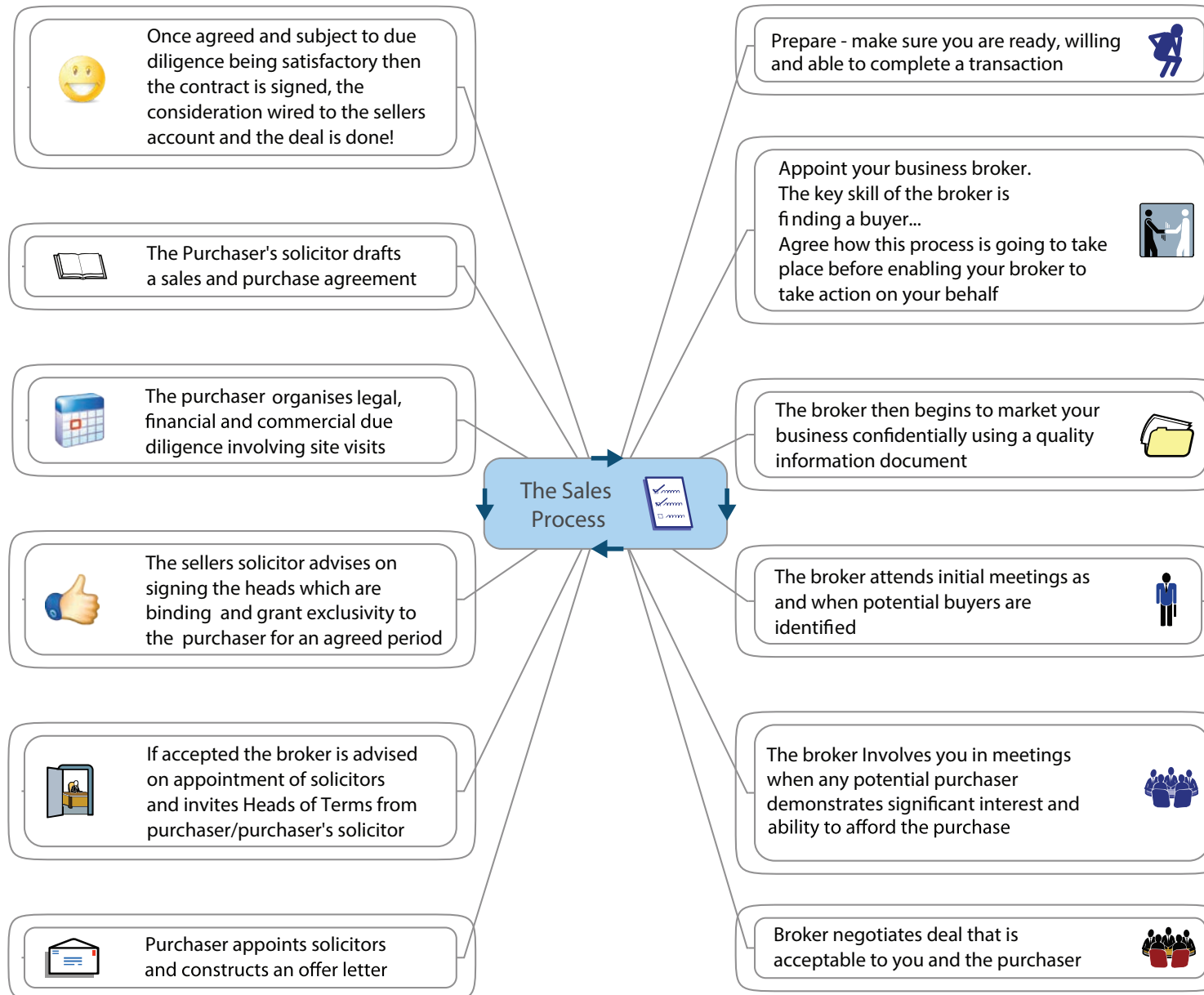
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Are You Running a Valuable Business?

The ultimate test of value for your business can be found in a simple question:

Would someone want to buy your company?

Whether you want to sell next year, a decade from now, or pass on the business to family, you need to build a valuable asset for the future.

The Sellability Score is an interactive tool offering a comprehensive assessment of the “sellability” of your business. When you complete the Sellability questionnaire, you'll get an overall Sellability Score out of 100 plus your score on the eight key drivers of Sellability, which are statistically proven to increase the value of your company. Based on the outcomes of your Sellability Score, we will help you build a strategic plan of action.

The Science Behind the Score

The Sellability Score algorithm was developed using a quantitative survey of business owners and is continually refined, based on the thousands of business owners who get their score each quarter.

Is your business your largest asset? Achieve a Sellability Score of 80+ and – based on research from thousands of test cases – your company will be worth 71% more than the average business.

Sellability Score Advisers

Hyde House are Sellability Score advisers and can help you to interpret your report and provide an additional expert opinion on the value of your business.

Get started now by completing the questionnaire.

www.hhcbs.co.uk/sellability-score

STEP 1

Answer the questionnaire



STEP 2

Instantly get your score



STEP 3

Receive your custom report



GET STARTED NOW

