NZ CHAMBERS OF COMMERCE
WANAKA
Business Vitality

Maximise the Sale Price of Your Business

If you want to maximise the sale price of your business, you need to plan ahead. Most businesses are marketed for sale without adequate preparation, reducing the potential sale price.

If you are thinking of selling your business, you should:

- Review the business to make sure that everything is in order before starting to market the business itself. This can take time, so start early.
- Review all aspects of the business, and identify any weaknesses. This allows you to correct any problems before starting the sale process, and reduces the risk of the buyer trying to reduce the price during negotiations.
- Make a plan for a successful sale with the help of your professional advisors – your bank, accountant, and lawyer are keys to the process, so see them early and form a plan on how to proceed.

Most buyers will want to carry out a valuation of the business to confirm that the sale price is appropriate. You should have ready all information that a buyer is likely to ask for to carry out a due diligence review and a valuation. To maximise the valuation, you need to:

- Maximise your profits; and
- Take some of the subjectivity out of the future forecast.

To achieve this, you should:

- Collect all outstanding debts and pay any debts that you owe;
- If you have obsolete stock, talk to your accountant about how to best write this off. This will decrease profits, so it is best to do this before you go to market;
- Take a look at your costs and try to reduce expenses;
- Aim to increase sales;
- Make sure key staff are happy;
- Take steps so that the business is not reliant on your ownership. Businesses will be more valuable to a buyer if a change in ownership will not affect profits;
- It is important to identify or remove any obstacles to the sale. You should carry out your own due diligence review of the business to identify any problems before the buyer does this.

The key issues are:

- Make sure all key customer and supplier contracts are properly documented, and check whether agreements can be transferred;
- Make sure any related party transactions are on arms-length terms. If an arrangement has been granted on favourable terms, a buyer is likely to reduce the price to reflect that – any customer needs to pay market rate, even if related.
- Employment – are employees entitled to redundancy payments?
- Property leases – is the remaining term long enough so as not to cause concern to a buyer? Can the lease be transferred?
- Disputes – are there any current or threatened disputes? A buyer will not want to be involved in any disputes.

Make it easy for a buyer to confirm satisfaction of any conditions by putting together an information package containing relevant information, such as financial statements, management accounts, customer and supplier lists and contracts, leases, key employment agreements, details of any disputes etc.

Even if you are not selling your business, undertaking an audit review of your business is good business practice anyway, and will likely result in a more efficient business and possibly increased profits.