

Paper written by Peter a provider of this service.

Exit Planning

Assisting with preparing a business for sale

Exit Planning

Selling a business might seem like it is primarily a financial issue, but that is only true if you have not made the right proposition.

Exit Planning should have as one of its major outputs a clear proposition of why your business is attractive to each individual acquirer.

This is often the same question you get asked when trying to define your Unique Selling Proposition (USP) or your Unique Perceived Benefit (UPB). These are really hard questions and many long head scratching hours are often spent getting to the bottom of this. So what isn't a USP or a UPB?

- High quality
- Value for money
- Great service
- Passion for our business
- Passion for our clients
- Passion for our team
- We care about our customers
- Market leader
- Thought leader in our market
- Every quality "kitemark" going

Almost every business makes some or all of these claims – the only guaranteed response is a yawn.

Unless you have empirical evidence that these are unique and nobody else can claim them or you can point to evidence that the benefits they provide are unique.

So what should your proposition look like?

Well, the fundamentals must be in place:

1. Rising sales line
2. Increasing profits
3. Increasing margins
4. Tight cost controls for on-going expenses

Without these in place, it is unlikely a business will be sold except at a discount. This merely makes the potential acquirer take note and possibly read a bit further. So what should your proposition contain?

Well the first thing to do is to define who the acquirer might be. Strategic acquirers usually come from one of 5 areas while a management buy-out or buy-in does not usually generate the same value to the vendor.



1. Suppliers seeking to secure their channel to market (this is rare)
2. Customers seeking to secure their source of supply (this is also rare)
3. Businesses that “do what you do” but don’t necessarily compete directly (different geography, different niche in the market etc.)
4. Businesses that “do other stuff to customers in your market”

and then

5. Direct competitors (in my experience this comprises less than 10% of all completed acquisitions)

Strategic acquirers may be convinced to pay a premium valuation for your business if you can convince them of 2 things:

- i. that by acquiring your business the combination will be greater than the sum of the parts (the proposition)
- ii. that they are in a competitive situation and other good quality acquirers are also in the frame

So now let's deal with the proposition.

This will cover different things for different acquirers and careful research is required to know which items to present but they include:

- a. your product or service offering, why this would sell in greater quantities, at better margins and / or higher prices, and more often and more easily etc under their stewardship rather than yours
- b. your management team and your staff will be capable of generating better profits and growing the business with you out of the way
- c. your technology or your qualified technical skills base will give them a significant competitive advantage or allow them to advance their own product or service development faster
- d. your technology or service offering could be offered to their customers either as replacement for their own or in addition to it
- e. your customers are a natural target for their products and services
- f. your marketing programmes are highly effective and generate good high quality leads and your salespeople are skilled at converting these

All of this needs to be backed up with examples of how this has led to growth and profit in your business and how this will be multiplied when added into the acquirer's business.

For a free confidential discussion on how Exit Planning could help you get the most for your business when you decide to sell, please contact Peter.

If you would like to chat with Peter, please email info@woso-sme.co.uk we will take some brief details and pass the details to Peter, including the best time to contact you.