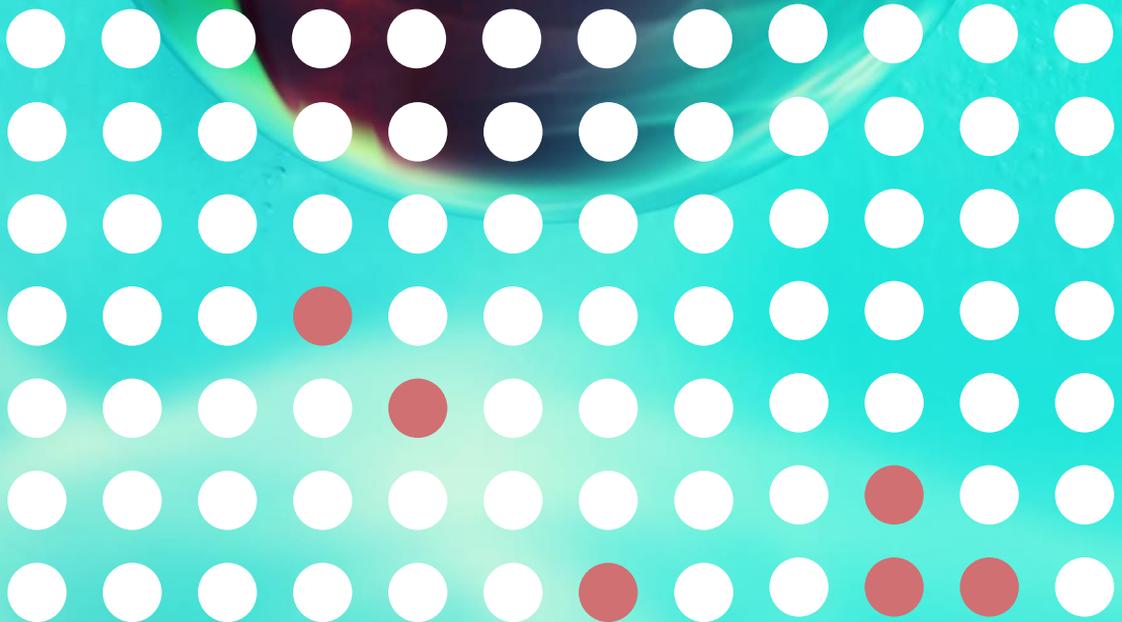




ERRORS DURING THE SALE OF A COMPANY

THE PREPARATION





INTRODUCTION



The sale of a company is a thriller, full of surprises, right up to the last minute. It is like a film that, even if the actors change, has a similar script. At ONEtoONE we know this script to perfection. Our advisors have seen the production hundreds of times, in its different versions. We know exactly when that short man who wants to stick a knife in your back is going to appear behind the door. This knowledge allows us to plan ahead meticulously and ensure there are no errors during the sales process.

For the person selling their business, it is usually their first and only transaction in this field. However, the party they are negotiating with probably makes three to four transactions a year, which is why it is so important to know what mistakes previous businesses have made in order to avoid repeating them. They say a smart person is one who learns from their own mistakes, but a wise person is one who learns from the mistakes of others.

There are many factors that can lead you to sell your business:

- You reach retirement age.
- You have a health problem.
- The company that used to stimulate you has become a burden for you.
- You need more liquidity to grow, but you can get it.
- You don't want to face a new economic crisis.
- You do not feel capable of adapting your company to the new environment.
- You see the future as a threat due to new technologies.
- Your team lacks the training to make a qualitative leap in your sector and you do not have the resources to recruit a more prepared team.
- There are conflicts between shareholders that are damaging the company.
- You do not see clear successors in your family...

Waiting for these factors (age, illness, conflict, need for capital) to manifest themselves before deciding to sell is usually not a good strategy because they condition the price, cause urgency and deteriorate the price.

In this e-book we present the most relevant mistakes we have seen salespeople make, to help you avoid them and, following the previous simile, so that, even if you have not lived through the film, you at least read the e-book.



Finding the right buyer can take time, even with the best advertising and marketing materials to attract interest. With hard work and luck, serious buyers will find the bait and be attracted to the opportunity.

With luck, several buyers will show interest. You may receive more than one offer, which will strengthen your negotiating position considerably. However, you should be prepared to negotiate and listen to the advice of the professionals you have hired for guidance.

There may come a time when an offer comes in and you have to act on it. Procrastination or hesitation in accepting a reasonable offer or negotiating a compromise can be a mistake, as you risk losing a serious buyer.

As an owner, selling your business is possibly the most important decision you can make. When it comes to exiting your business, the stakes are high and the chances of making a mistake are significant. One misstep can cost you a substantial amount of money, or it can lead to you not being able to sell the business at all. If you are aware of the mistakes that entrepreneurs often make when selling and correct them before considering an exit, you are likely to do much better.

Errors can occur at all stages of the process. In this e-book we show you the main ones that can be made in the initial phase: the preparation of the company. The work during the preparation of the company for sale focuses on identifying the key aspects for improvement, acting on them and reducing the possible risks that a potential buyer would perceive today. To entice potential buyers, you must first get your company into shape. We show you the errors you can't make...



*You only have one chance
to sell your company.*

*Making a mistake during
the procedure may result in
the deal failing. Or, even
worse, making a potentially
regrettable deal.*

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1

● THE LACK OF PREPARATION



DON'T BE YOUR OWN ENEMY

External factors, such as a sharp downturn in the economy, can make it difficult for the company to sell, but most of the difficulties come from within the company and can be solved if addressed in time.

When you put your company up for sale, you are putting your life's efforts up for sale. You have meticulously planned every aspect of your company over the years to get the best out of its capabilities, yet many people put the company up for sale without preparing it.

Just as you would clean your house and make obvious repairs before putting up the "For sale" sign, you should do the same and more when it comes to preparing your company for sale. Elements such as financial documentation, personal money mixed with company money, non-business assets in the name of the company, brands belonging to other persons or companies, conflicts with employees, unclear organisation charts, etc. should all be considered.

Entrepreneurs who have not prepared the company for sale can make costly mistakes that can complicate or hinder the sale.

These internal factors, which could have been resolved, often appear too late, during the negotiation or during due diligence.



We advised on a case where the sellers reported audited after-tax profits of €1.5 million. Upon the buyer's due diligence, it was discovered that these profits were substantially lower. The seller explained that, on switching to a new computer system, the accounts "had become confused, and he already noticed that the cash left over was too little for the profits they were making".

As we can see, failing to have the necessary information systems is an error that can lower the sale price or even derail the sale. Before beginning the sales process, it is critical to have the financial systems in order, with clear, easily extractable, and consistent monthly, quarterly, and annual data.



Having the right information at hand is critical to not losing momentum during the negotiation. You cannot expect a good price if you are unable to demonstrate and justify how you are making money.

If the company has a digital element, it is essential that it has systems in place to validate how much and what kind of traffic it is getting and what the conversion rates to customers are.

Concentrating on just a few customers is harmful to the price, so it is worth making an effort to diversify if a sale of the company is in mind.

Before the sale, the company must be adequately prepared with regard to issues that will be sensitive in negotiations and in due diligence: management team, actions on the perimeter of the operation, and elimination of contingencies/conditions on assets or shares, among others.

Another typical mistake vendors make is failing to develop a strategic plan to support the company's history and chart a promising future.

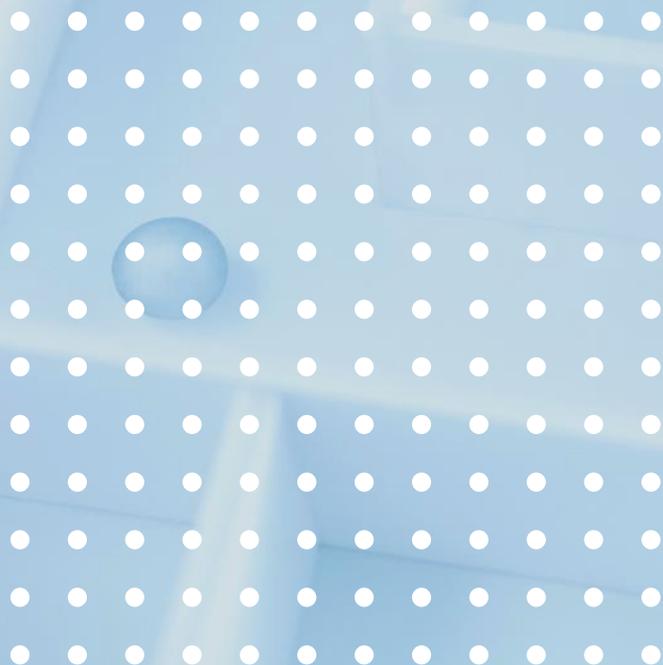
The majority of sellers have never sold a business and feel overwhelmed by the process. Getting a head start on preparation will save the entrepreneur a lot of doubt and confusion at key moments in the negotiation.

One aspect that is very appropriate is to do vendor due diligence. You hire a reputable firm to do financial, legal, and tax due diligence and present this to buyers who have made acceptable offers.

This way, you can approach the end of the deal with several candidates without having to give exclusivity to one of them, which they will demand before they have to invest in due diligence advisors. This will help you understand the contingencies and design a better negotiation.

Some businessmen have reported a larger amount of inventory as sold in order to increase their expenses for the year and pay less tax. In the face of a sale, this is a problem that needs to be addressed.

Not only because lower earnings mean a lower price, but also because there is a tax contingency that may arise to the detriment of the new owner, so even if they withhold a price for the duration of the contingency, its very existence may discourage them from bidding for the business.



The cash generation will be evaluated by the buyer, and anything that indicates that this cash is not available for dividend distribution means a lower price. As a result, when a firm is about to be sold, it is not a good idea to undertake non-urgent expenditures that will be repaid after a few years. The buyer will deduct the investment from the purchase price but will not evaluate the future return, resulting in a lower transaction value.

Professional buyers will only accept a clean, official profit and loss account, so it is wise to drop such procedures prior to the sale.

Put the appropriate people in the right jobs at the correct, legal pay. If you intend to leave the company after the sale, be sure it can function without you and that your employees understand how to run it.

Improving your website is an inexpensive but essential aspect.

Making investments prior to a sale is detrimental to the price because it drains funds from the company and the return on these investments will not be visible for some time. As a result, if the company is to be sold, it is best to avoid making investments that are not urgent or necessary.



● ERRORS IN THE WHEN

2.1 | THE THREE ASPECTS

2.2 | THE INCORRECT TIMES TO SELL

MISSING THE RIGHT TIME TO SELL

Selling a company is not an easy process. In an adverse economic environment, it is extraordinarily difficult to obtain a fair price, so when to sell is a key element in the realisation of shareholder value.

Many entrepreneurs wonder whether it is too early or too late to sell their company and that doubt eats away at them. They do not know when is the right time.

In our experience, the ideal time is when all three aspects are aligned.

2.1 | THE THREE ASPECTS

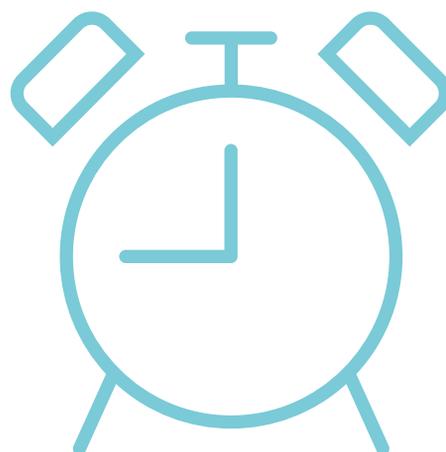
THE MARKET ASPECT

This is when the cycle is approaching its peak, when there is more liquidity and stock markets are trading at high multiples. This is when banks are most eager to finance buyout transactions. It is the time when valuations are higher, there is more interest in acquisitions because liquidity is abundant, and buyouts can be leveraged.

THE COMPANY ASPECT

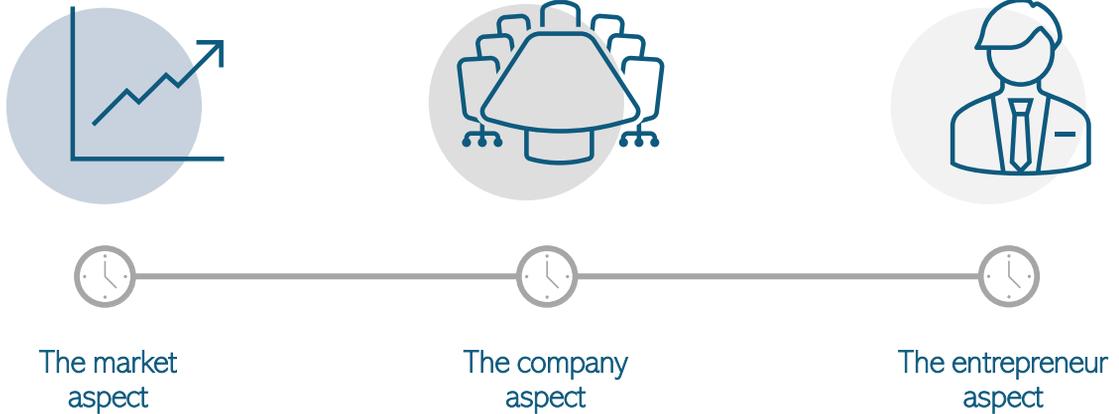
Here we are referring to when the company is ready, has a clear organisation chart, the team is able to function without the entrepreneur, has good control systems, the company has been growing in turnover and profits in recent years and can show potential buyers an impressive project. I am often told by the entrepreneur that now that the company is doing so well, if he waits three years, the picture will be much better.

Then, three years later, I discover that the situation has not improved for a variety of reasons. Let us not forget that when the economy suffers, money disappears, making it very difficult to sell or forcing you to sell at much lower prices since there are very few buyers, and, to make matters worse, there is a lack of liquidity for purchases.



THE ENTREPRENEUR ASPECT

The owners have accomplished a critical stage and are ready to pass the baton and devote their focus to larger ventures. This is when the entrepreneur believes he can acquire more worth and profit in his life than the purely material one. They realize they are no longer important to the corporation, but they are indispensable to their family, and they have much more to contribute to their family and society.



When these three factors are in sync, it is time to put the company up for sale. Under no circumstances should you wait for a buyer to appear, as they rarely do and, if they do, they are unlikely to be the one who will provide the most security to the team or who can pay for the company. Furthermore, maximising the price is essential to create competition between several bidders, who have deep pockets and real synergies with your company.

Many transactions fail because these three factors are not aligned. Other times, the three components match, but the entrepreneur is so preoccupied that they miss the opportunity and end up forgetting (because you always forget) at an unfavorable time.

The greatest enemy of their own interests is often the entrepreneur himself or his family environment.



We had a mandate to sell from an owner in his eighties. There were many difficulties: the son who had received a gift of 1% when he turned 18 refused to sell, the lawyer (who was a son-in-law) causes all sorts of problems, the daughters insulted the buyers at the meetings. Finally, it was sold and at the notary's office on the day of the signing, I discovered the reasons for all the difficulties. Our client's wife was giving me dagger eyes and I understood that she would rather have her grumpy husband in the factory than loitering around the house.

There are factors for selling the company, from the point of view of the owner, the company and the market. Each of these factors are valid reasons to sell a company, but the decision must be made on the basis of the combination of all of them to identify the best time to sell.

ENTREPRENEURIAL FACTORS



- Spending time in different business activities.
- Retire and spend more time with your family.
- Turn your property into money to invest in a different business, pay off financial obligations, or distribute to family members.
- An illness or other situation makes it difficult for you to continue with the business

COMPANY FACTORS



- **Positive:** technological development, the discovery of a natural resource, or a company's emergence with a possible strategic relationship.
- **Negative:** loss of large clients or business channels, substantial drop in revenue, increased fixed costs or disputes between shareholders.

MARKET FACTORS



- **Positive:** strong GDP growth in the country or favourable trends in the specific sector in which the company operates.
- **Negative:** the deterioration of the economic or political situation of the country may lead to deciding to sell the company before these conditions worsen.

2.2 | THE INCORRECT TIMES TO SELL

SELLING TOO EARLY

If your company has only been around for two years, it will be difficult to find buyers and, if there are any, they will not pay much because the sale price and the company's track record are usually correlated. The more history your company has, the more confidence it will generate.

MISSING A SALES OPPORTUNITY

Many sellers wait until the last minute to decide to sell. They wait until the company is out of cash, or until they themselves are burnt out as entrepreneurs, when family or partner relations are already untenable, or when they have a serious illness.



I recall a client who had a struggling business and had pledged his chalet as a last resort to obtain further funding. We found a buyer who would pay off all of his obligations and pay him cash for the company, but he refused.

When the company went into receivership and the Social Security Administration took possession of their machines, he called us and inquired if he could sell. We informed him that it was too late, that the buyer had lost interest.

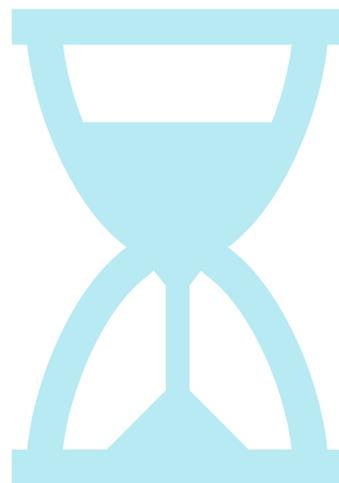
As a result of his personal assurances, he lost his firm, his home, and all of his possessions.

SELLING WITH NO URGENCY

The ideal is to sell when there is no need to sell, when things are going well and there is no emergency.

If your company has had a couple of bad years and you still have no increase in sales or positive results, it is a good idea to get energised, work on getting the company back on the road to profitability and wait to sell.

Otherwise, buyers will perceive a low value and it will be difficult to find buyers.





WAITING TOO LONG FOR THE SALE

Many entrepreneurs, seeing their business grow, feel that it can still grow further and decide to wait. While waiting, they encounter a change of cycle, or an increase in competition due to the entry of external competitors attracted by the good results or a decrease in the value of their products due to economic conditions.

If you understand that the future of your company is sales, you must be very attentive to the circumstances of the economy, to the movements of competitors who may enter your field and to the technological changes that can transform your sector from one day to the next, as they have done in so many others.

Don't forget the time factor, as selling a business takes between nine and twelve months but can sometimes take up to two years or more. By the time you sell, you may have missed the window of opportunity.

If there is a wave of wave of expansion in your sector, don't be the last one to ride it. Otherwise, what will happen is that the big buyers will have already done their homework (the higher prices are paid at the beginning of the consolidation process) and you will have been left small, without scale, with tight margins and in the middle of a war of giants who have made huge outlays to grow market share. Not a very encouraging prospect.



● ERRORS IN THE
WHY



3.1 | CHANGING THE INTERESTS OR
MOTIVATIONS FOR THE DECISION TO SELL
DURING THE SALE PROCESS

3.2 | NOT THINKING ABOUT THE DAY AFTER

3.3 | HAVING UNREALISTIC EXPECTATIONS



NOT PLANNING WHAT YOU WILL DO AFTER THE SALE

3.1 | CHANGING THE INTERESTS OR MOTIVATIONS FOR THE DECISION TO SELL DURING THE SALE PROCESS

It is very important to know why you are selling, because during the process you will be tempted to break off negotiations. If you know why you want to sell and how much you can expect from the sale, you will then have a cool head to make decisions according to your interests and not get carried away by emotions.

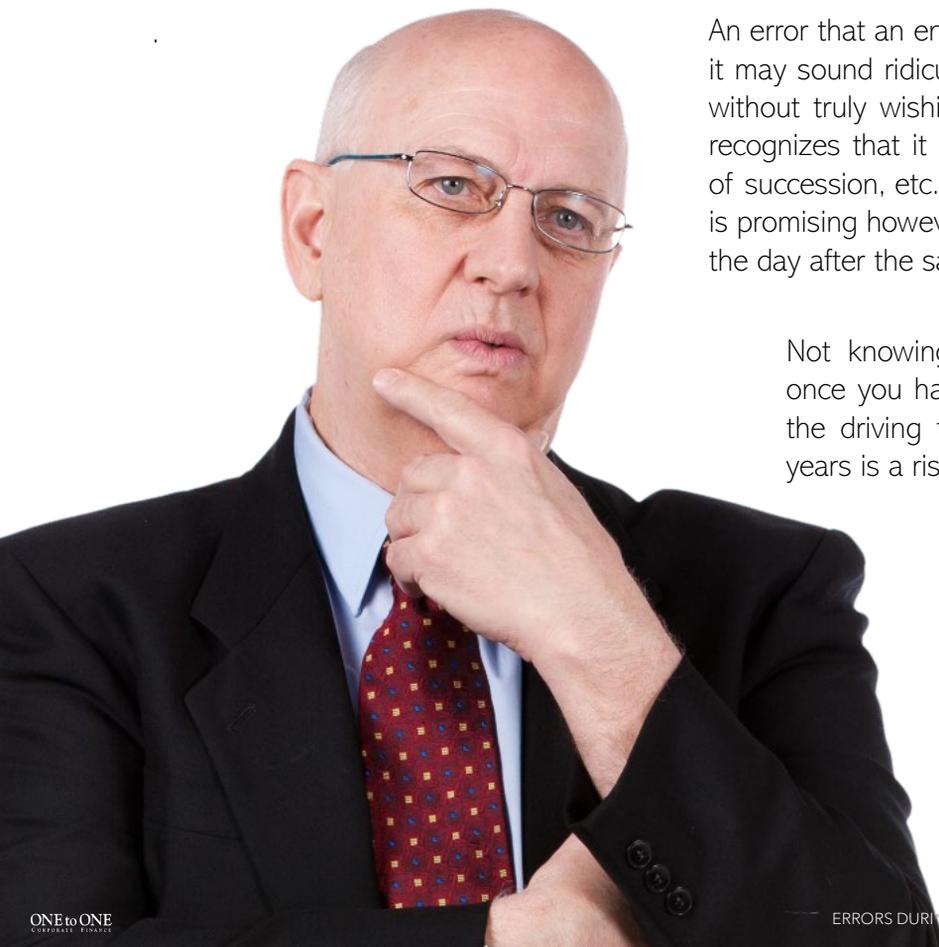
The buyer will ask you why you are selling and needs a sincere and coherent answer, otherwise they will have doubts about your true intentions and distrust will increase the risk premium, which in turn will lower the price they are willing to pay for the company. It is important that you also think about the following aspects.

In many cases, entrepreneurs realise that they have all their eggs in one basket and that their assets are at risk. The constant technological advancements and the accelerated evolution of sectors are causing only 40% of companies to survive.

An error that an entrepreneur may make, although it may sound ridiculous, is listing the firm for sale without truly wishing to sell it. The entrepreneur recognizes that it is prime time to sell (age, lack of succession, etc.) and the market in their sector is promising however they are simply too afraid of the day after the sale.

Not knowing what to do with your time once you have parted with what has been the driving force of your life for so many years is a risk to a successful sale.

The entrepreneur ends up unconsciously ruining the sale by, delaying procedures, hesitating when making decisions, finding flaws in potential buyers, and therefore, wasting their time as well as the advisors' time.





We experienced this with an entrepreneur who, after many attempts to grow, found that his company was unable to outgrow its size. He decided to put it up for sale and we got five offers, one of them particularly high. During the due diligence period, he started to delay providing information and complaining about the information he was being asked to provide. He asked to delay the deadlines and gain time until, in a meeting with the buyers, he asked for ten million more and managed to blow up the operation. From that moment on, he justified himself by saying that the operation had been broken by the other party, but the reality is that he was just not ready to sell. He wasted the time of his advisors, the buyers and the buyers' advisors, leaving clear frustration on all sides.

3.2 | NOT THINKING ABOUT THE DAY AFTER

TRANSITION AND EXIT PLAN

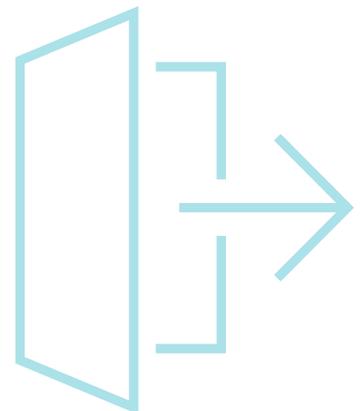
Many owners are so focused on the sale of their business that they completely neglect the transition process that will take place after the closing.

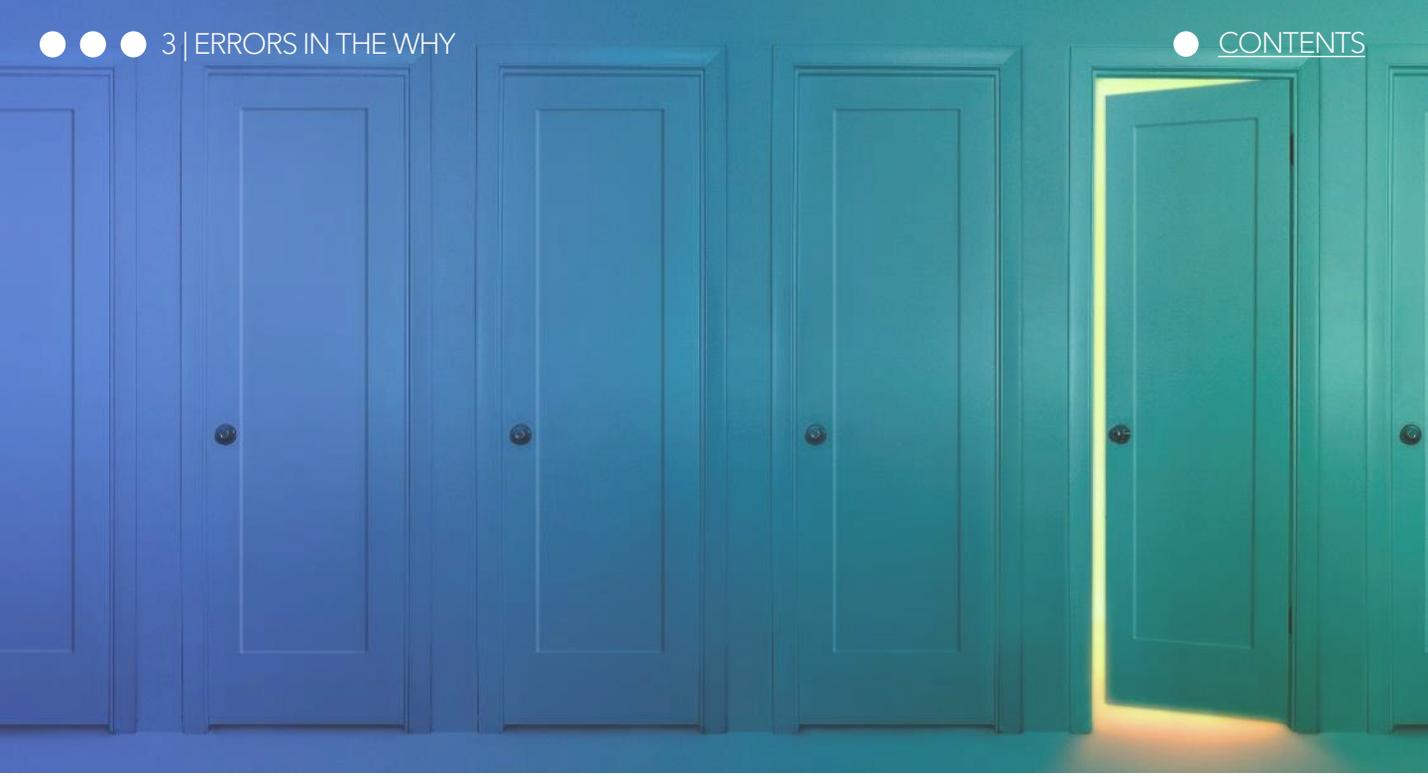
Some buyers will insist that the seller stay on for a few months to help with the transition or training, while others prefer a clean break. Either option is fine, as long as the buyer and seller have discussed the transition and reached a mutually acceptable agreement during negotiations.

An exit plan is a crucial part of preparing to sell your business. In fact, many advisors will suggest that you prepare a comprehensive exit strategy as soon as you begin your venture.

This will help you deal with a variety of factors, including how to value your business; how to prepare for the transition; and perhaps most importantly, how to deal with the aftermath of the sale both personally and professionally.

Before you cash out and leave, you should take care of the managers who may replace you in the transition period by preparing them in advance.





WHAT WILL YOU FOCUS ON AFTER THE SALE?

Companies and sectors change, and you may find that the sector is no longer what it was: margins have deteriorated, it has been invaded by larger and more technologically advanced players, and it requires investments that you are no longer willing to make.

There are entrepreneurs who are builders of things, but who get bored when the activity becomes repetitive as the company has reached maturity. They realise that the day-to-day operations are no longer fun, but a burden.

In these cases, there are several avenues to consider: changing the activity within the business world or changing the type of link with the company itself.

Some entrepreneurs have told us that they started mentoring young entrepreneurs and found it to be an exciting experience, much more enjoyable than the day-to-day management of their company. There are entrepreneurs who decide to sell the company to devote their time to being advisors in the companies in which they invest as business angels.

Before deciding to sell, you should consider what you will do next and whether you are willing to continue as an employee or as a consultant to the company once you have sold it. The buyer will want to know if he can count on you after the sale or if he has to look for new management.

For other entrepreneurs, the decision is a personal one. Grandchildren are born and you don't want to miss out on experiencing them the way you missed out on your own children. Or a friend passes away and you realise that there is little time left to enjoy the important things in life.

In any case, you need to be clear about what you are going to do once you have sold. The sale of your business will leave a gap in your time: you can fill it with new projects.

3.4 | HAVING UNREALISTIC EXPECTATIONS

When you consider selling the company, keep in mind that the buyer has other alternatives and will compare the price you demand with the profitability of the investment compared to other possible investments that are available in the market. It makes no sense, therefore, to ask for prices that are out of line with market logic.

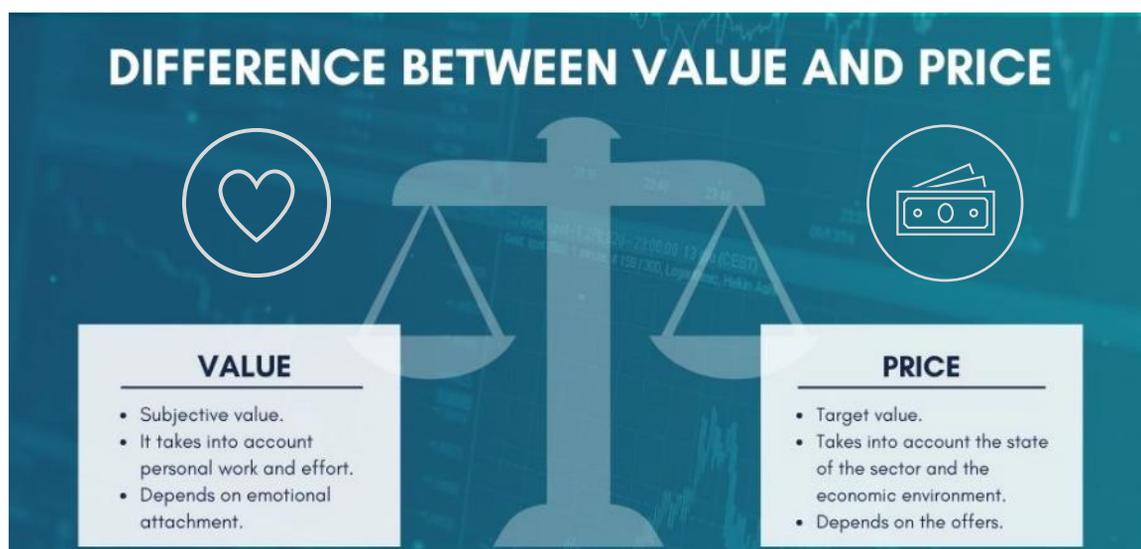
Sometimes the selling family has heard of another operation in their sector at very high multiples and they do not want to be any less. It should be borne in mind that the news that appears in the media is often untrue or biased.



Recientemente nos contactó una familia indicándonos que quería vender su empresa. Nosotros teníamos un mandato de un Family Office alemán que buscaba empresas similares de manera que tuvimos una reunión. Reunidos con todo el consejo de la vendedora nos clarificaron que no venderían por menos de 40 millones de euros. La empresa tenía unas ventas de 17 millones de euros y un beneficio recurrente de 1 millón de euros. Le expliqué que, si el comprador ponía 40 millones, si todo iba bien como hasta entonces, tendrían que pasar cuarenta años para recuperar su inversión y a partir del año cuarenta empezar a ganar dinero, y para entonces probablemente se habría muerto y por lo tanto, ese precio no tenía sentido.

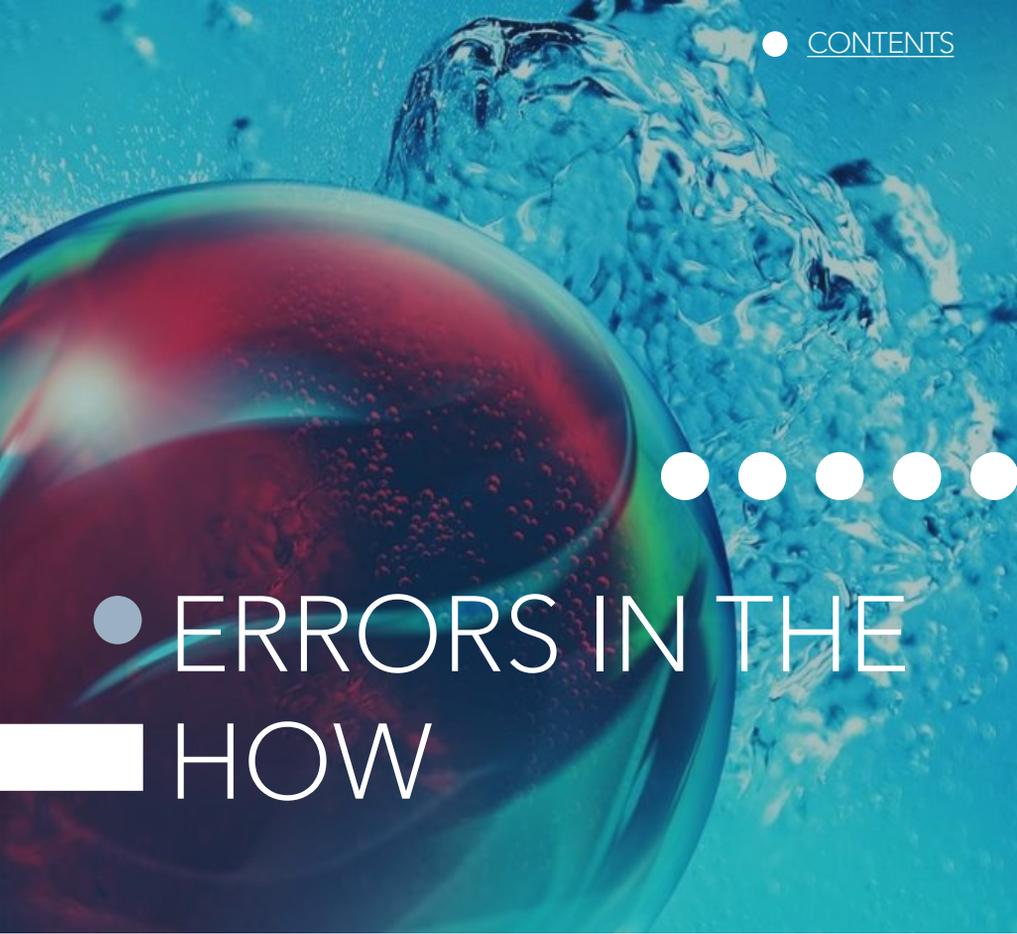
In other cases, the seller is emotionally "tied" to an offer they received in the past, in some cases even a purely verbal offer from an employee of a large group who had no decision-making power. This regional director of the large company told them: "we would pay 20 million euros for your company" and, although this is a disproportionate price for the real value of the company and for what is being paid in the market for similar companies, the founder has been hooked on this price and says that he will not sell for less.

Don't confuse the years and effort you have put in with the price. The price is conditioned by the environment of your sector, the economic environment and by the offers you may receive, which will be based on what the company may be worth to those buyers at that moment in time.



Many companies are not sold because their owners' expectations are unrealistic. If you want to know the real price, find the best possible buyers, negotiate their offers upwards, and the one with the best price will be the real value of your company.

Some sellers present the potential of the company and want to charge all that potential to the buyer, without understanding that, if the buyer pays all the potential for value creation, he will have made an absurd investment because he will have no margin left to earn money. It is good to point out the growth alternatives that the company would have in the hands of the new owner, but it does not make sense to charge for them as if they were already executed.



● ERRORS IN THE HOW

4.1 | ERRORS IN PREPARING THE COMPANY STRUCTURE

4.2 | HIDING THE COMPANY'S FAULTS AND WEAKNESSES

4.3 | NOT VALUING THE BUSINESS PROPERLY BEFORE THE SALE



ERRORS IN PREPARING THE COMPANY

Now we have reached the most complex part of the preparation: the how. What errors do I need to avoid when preparing my company for sale? There are several areas of action in preparing the company for sale. We have highlighted five:

- ✓ **Operations:** services offered by the company and factors that make them possible.
- ✓ **Corporate structure:** the way your company is structured.
- ✓ **Human resources:** legal conditions of employees and collaborators.
- ✓ **Business strategy,** objectives and performance.
- ✓ **Financial structure:** the state of the accounts and method of management.

Each of these areas must be in place and ready if you are considering selling your business. Let's look at what errors can be made in these areas. Keep in mind that a potential buyer will not only buy the company, but also its possibilities. In most cases, the person or entity that buys our company does so to start their business career or to strengthen their market position or service offering.

To the extent that we pave the way for this buyer, helping him to perceive all that our company can bring him in the future, the more appealing the idea of buying will be to him. If, in addition, we add unsuspected possibilities to their own expectations, the price can be multiplied.

Therefore, although it may seem paradoxical, in the "how" of preparing the company for the sale, we must enter into the mindset and from the buyer's skin.

The attitude is similar to that of a job interview: "What differentiating value do I bring to the company? Why should they choose me among so many other candidates? For many employers, this is difficult. The attachment they feel for the company they have built up over a lifetime makes it difficult for them to see it objectively, with its strengths and areas for improvement.

Being able to approach this question objectively and "dispassionately", if you will, is the kind of perspective that can make the sale a great success.

4.1 | ERRORS IN PREPARING THE COMPANY STRUCTURE

OPERATIONS

If by operations we mean the work and services we carry out, there are a number of factors to take into account:

PRODUCTS AND SERVICES

Due to technological capabilities, extreme demographic change, increasing human interconnectivity and the demand for faster human development, these models are characterised by their ability to scale at a faster pace. In addition, as mentioned above, they offer a wider geographic reach, with higher profit margins and reach target markets faster.

The core of 21st century business models has as its value proposition the resolution of a customer problem or need.

1 | Analysis

The preparation of the products and services part starts with the analysis of the service you offer. You should clearly reflect what your cost of production is and calculate what your profit margin is. A wrong evaluation of these figures will lead you to get the wrong idea of what the value of your business is. In addition, you will give a wrong impression of the cost-benefit ratio to your potential buyers.



All this can lead to unpleasant surprises for you when calculating the price, you can get for the sale or, worse still, create a situation of mistrust with your potential buyers.

2 | Diversification



You should analyse whether you have the capacity to diversify your production. Offering the buyer the ability to expand the range of services you offer by producing related services is always a plus. Remember that we are not only selling the company, but also the possibilities it offers.

Work on differentiating elements in terms of hard-to-copy products, patents, exclusive area contracts, certain public administration qualifications, etc. Any of the above can be highly valued by buyers. To do this, the recommendation is to reflect on whether there are barriers to entry in your sector and see if you can have key elements that will allow a buyer to overcome these barriers.

3 | Possibility to export

If we do not export to other markets and we can do so, we should consider opening up that avenue of business: can your products or services be sold/offered outside your borders? Make an analysis of the foreign market, starting with neighbouring countries, in order to identify marketing opportunities for your products and services.

If you already export to other countries, look for new markets where there is a potential demand for your products.



Nowadays, many investors are looking for a product or service portfolio that is not only diversified in terms of customers, but also in terms of geography. They want the product or service to be saleable in markets that they already operate in, often globally in the case of multinationals.

If you have not done so, try to analyse the foreign market (for example, your neighbouring country) to see if it is beneficial for you to have new alternatives to market your products or services.

A company without global projection or contacts in a globalised market will always be less attractive to a potential buyer.

STOCK

1 | Updated inventory

Is your inventory updated every month and according to market value? You should be careful to know exactly what you do and do not have, to avoid unpleasant surprises for potential buyers.

Bear in mind that the buyer is not going to pay for unaccounted inventory, there will be tax contingencies, etc., so this would open up "sticky" negotiation points in the process of selling the company.



2 | State of stock



When taking inventory, it is important to discover possible obsolete stock. Obsolete stock will be a drag on the sale, as the buyer will be stuck with stock that they will have to take care of without making any profit. Failure to deal with them in time can reduce the sale price, but, beware, hiding them is even worse.

If the buyer is confronted with these after the purchase, the seller may find himself in difficult points, which will play against him, during the negotiation. Therefore, everything that is "discovered" in the inventory taking should be regularised, including all unaccounted-for stock.



3 | Purchase planning

If you do not have a purchase plan in place, it is time to start doing so, in order to avoid stock-outs. An out-of-stock situation occurs when the distribution company does not have enough of a certain product and therefore cannot supply the demand of its customers.

If your company suffers from this situation on a regular basis, your ability to supply your customers will be affected. During the COVID-19 pandemic, some companies had to stop production due to a shortage of raw materials because they did not have a safety margin in their warehouses.

This type of situation makes it more difficult to establish reliable revenue forecasts due to a possible discontinuity in service.

The prospective buyer must perceive the immediacy of the supply of customer needs that we can provide, and for this it is necessary that such stock-outs do not occur.



4 | Technology

Are you investing in software or technology for management control? In a globalised world, dominated by a market that is increasingly digitalised and values immediacy, efficient processes and time management are values that are on the rise for any company.

Technology saves time and makes processes more efficient, from production to marketing to distribution. Any company that uses technological tools that simplify its processes will get more and better returns on its efforts, yielding better results. In today's world, the digitisation of business is more of a necessity than a trend.

Buyers will be more attracted and will offer higher prices for companies that have already implemented these processes, rather than for others that have not yet done so. This is understandable: it is an investment in time, money and research that the buyer will have to make himself once he has bought the company.

Buyers with more vision will prefer to pay a higher price than to buy cheaper companies in which they will have to invest additional financial and mental resources afterwards.

CLIENTS

Clients are our source of revenue. Sometimes they generate mutual dependency that can be beneficial to the business, but sometimes they or our mismanagement of them can hinder our ability to show our value in a sale and purchase transaction.

The quality, not just the quantity, of the clients you deal with is key to being attractive to an investor.



One of our clients was being challenged by the entry of new competitors in the same sector, which threatened the company's profitability. They were systematically lowering their prices, which was causing them to lose all their clients, who were forced by the economic situation to opt for cheaper service options.

1 | How much do you depend on them?

Within Operations, customers represent the second factor to be taken into account. You need to carry out an analysis of your customers. You must make sure that none of them represents a significant proportion of your total sales. If so, you must take action to expand and redistribute the weight of your customer base.

Dependence on a single customer means that our company loses value by having all its eggs in one basket. If the customer fails, our company loses its main source of resources. In the sales process, it would be perceived as a more "fragile" company. The buyer will want to avoid at all costs that the company's future is not compromised.

Excessive dependence on one customer may lead to a reduction in price or a conditional future payment based on the maintenance of that customer. Ideally, no customer should account for more than 15% of your bottom line.

2 | Contracts

Suppose the answer to the previous question is yes, and changing that reality is difficult due to time or circumstances. In this scenario, this will mean that we are selling a company in a position of dependency.

In these instances, it is normal practice to fail to properly stipulate the contracts.

If one of your clients is critical, you must ensure that the contracts are long-term arrangements. As a result, a potential buyer will feel more confident in the transaction because they will not believe that their relationship jeopardizes the company's worth with that specific client. It will provide you more leeway in developing and extending your customer base following the purchase.



3 | Profit margin per customer

Break down the margin you get with each of your clients to determine their quality. We have worked with businesses, where reducing sales by eliminating unprofitable clients increased absolute margins.

Although it may be uncomfortable you should remove clients who are not providing high profits. A non-profitable client is always a burden in a sale and purchase transaction. The interpretations that the situation lends itself to in the eyes of a potential buyer will never be good. Avoid their doubts and possible uncomfortable questions.

4 | Sales imputation

To assess the quality of your customers, you also need to look at sales allocation. How do you charge your customers? If you charge for your services in advance, e.g. in the form of bonds, be careful that the imputation of sales is correct. Sometimes we see that companies recognise the entire bond as revenue when they sell it and, in reality, they should recognise it when they provide the service. Failure to do this correctly can result in profit adjustments for the year that affect your margin and EBITDA. As a result, the value of your company is affected.

Remember that company value will be key in negotiating the final sale price.

SUPPLIERS AND MACHINERY

Your production capacity will largely depend on your suppliers and your machinery. Presenting the support of those assets in perfect condition at the time of sale will improve the price you can get.

1 Suppliers: dependency and forms of payment

Carry out an analysis of your suppliers to ensure that no single supplier represents a significant portion of your total purchases. It is not wise to rely solely on a few. Prepare for any increase in raw material prices, changes in contract terms, and so forth. As with customers, reliance on a single supplier may reduce your manufacturing capability, making your organization less attractive to buyers.



Look for alternatives to be able to deal with increases in material price. In the current economic environment, companies are increasingly confronting a surge in the price of generic raw materials. This is exacerbated by rising fuel and power prices, which vary widely depending on the political, economic, and social context. Companies with a more efficient material supply strategy (a greater number of suppliers) and the ability to pass on price increases to customers will be able to defend margins more effectively.

When do you make payments to each supplier? Make a plan. Try, for example, to extend payment terms without placing too much pressure on them.

2 | State of machinery and investments

As with technology, a company that does not need to invest in equipment and machinery renewal will be more attractive to a potential buyer. Make an analysis of your machinery, in order to identify those that have become obsolete. Are they properly maintained?

Do not present a company that is unable to compete with other companies in the sector in terms of its means of production. It will be perceived as obsolete, and its selling price will decrease.

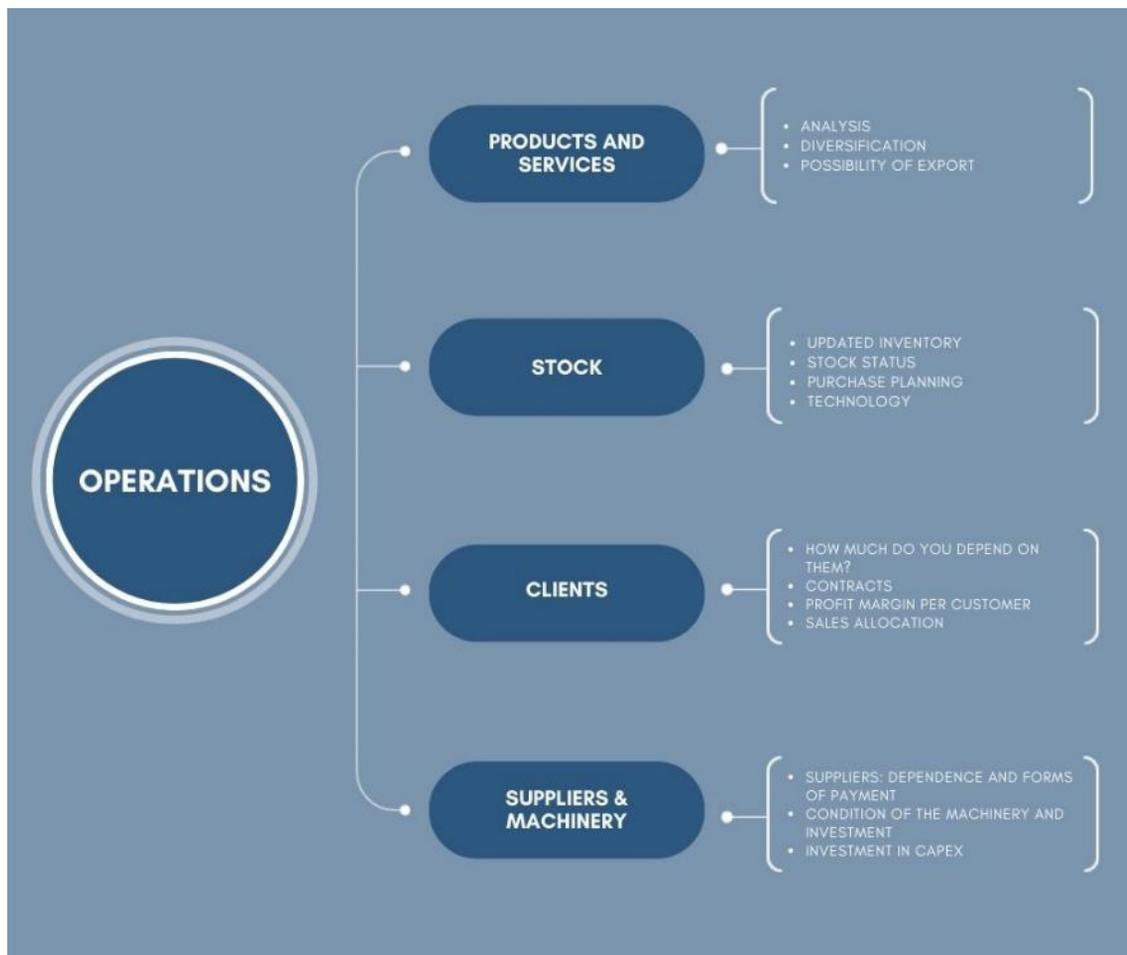
3 | Investment in CAPEX

The future of a company, its growth, and the cash flows it generates will depend on the CAPEX investments made, e.g. the investment necessary to acquire, maintain or improve capital assets, its non-current assets.

Again, a buyer will value not only a company but also its future possibilities.



Thus, CAPEX investment provides clues as to whether the company is investing to continue to grow or simply to sustain itself. Plan investments for the next three years based on demand. If an investor has to invest heavily in fixed assets when entering the company, they are likely to try to detract this from the price they are offering for the company.



CORPORATE STRUCTURE

The way your business is structured will also affect its attractiveness to potential buyers. It is advisable to analyse the structure and anticipate potential conflicts due to the way it is set up, as well as to anticipate and solve problems that may arise from ownership models.

1 | Business

Carry out a corporate analysis of your company. The situation can vary greatly depending on whether there is a holding company on which all the companies depend on, or whether all the companies are owned by individuals.

There are many corporate factors to consider in the sale of a company that will affect the company for tax purposes:

- ✓ The corporate structure is formed by a **holding company**.
- ✓ The sale of **assets instead of shares**.
- ✓ The inclusion of **real estate** in the company.
- ✓ The sale or not of **branches of activity** that a company does not have effects only.
- ✓ **Dividend policy** before the sale.

It is essential that you have tax planning for the transaction six months to a year before you begin the sale of the business.

2 | Tax planning

If you intend to sell, conduct a tax planning of the operation two years before the sale. The legal and tax considerations are critical

.If you are certain that you want to sell your firm, we recommend that you employ a tax advisor who specializes in company sale and purchase transactions. You need to have an adequate corporate structure according to the process you want to carry out.

3 | Anticipate shareholder conflicts

Who are your shareholders? What do they want? Identify possible conflicts between shareholders before the sale and plan how to resolve them eventually.

The interests of the shareholders regarding the sale must be aligned. If that is not the case,

You must address this matter on time, even if doing so means having difficult conversations.

Make sure you really know all the shareholders and what they want or expect from the sale. Then find a way to align the sale plan with their expectations, as well as yours, by establishing and clarifying the terms of the sale.

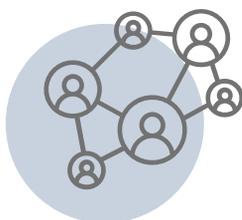
It is a major mistake to leave these conversations hanging, leaving the door open to unpleasant surprises.



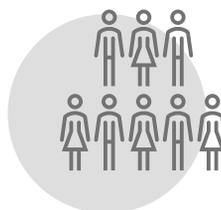
Various types of shareholder conflicts can emerge for a variety of reasons:

- Family factors will also affect the sale and in some cases even prevent it. These are the typical cases of companies with a large number of shareholders, some of whom are untraceable.
- Companies in the hands of the cousin generation, heirs of the company's founders.
- Companies whose shareholders are at war with one another..

Identify any possible family conflicts as soon as possible and put them on the table, Let yourself be advised and mediated by expert lawyers in this type of family conflict. It would not be the first time a good sale has been cut short due to unresolved conflicts of interest with one or more shareholders.



Large number of shareholders



Founder's heirs



Shareholder showdown

4 | Management team

The relationship with managers is significant and delicate in any sales process.

Identify who the executives are and involve them in the sale. You will need them to offer the best face to the investor and ensure that the company is in the best hands. There are different ways to do it.

Is the management team a shareholder in the company? Find a way to include the management team in the shareholding; this way, they will work in favor of the sale, and you will have the support and encouragement of the entire company structure at that time.



One measure that can be applied is to inform key managers of the sale idea and reward them with a percentage of the transaction value, encouraging them to work together to improve financial ratios in this period.

Other times, as an entrepreneur, you can choose which managers will receive a percentage of the increase in the sale price. This way they will see a clear benefit in making a significant effort for the company, because, to a certain extent, they will also become entrepreneurs themselves.



It also creates a management team with attractive incentives for meeting objectives and with personal development plans to retain them in the company.

Keep in mind that, during this stage of preparation, it is advisable to put in place the means to prevent managers from leaving during the negotiation phases of the sale, as it could be devastating for the value perceived by the buyer.

HUMAN RESOURCES

Human capital is one of the most valuable assets a firm may have. You must thoroughly examine how the forces of that capital are distributed in your business.

The labor side of a service company is very important for the company's sale. You will avoid potential sales contingencies if everything is in accordance with current regulations. Remember that the goal of preparing your firm for sale is to remove any hurdles that may cause a snag in the process.

1 | Team and organisational chart



You should first analyse whether your company depends heavily on you. A potential buyer may perceive that your company's value is closely linked to your presence, either because you are the person who brings customers or because the bulk of decisions and actions fall on you. Don't be seduced by your ego. Even if you find this statement flattering and it reflects the great effort you have put into your company, it would depreciate it greatly in a sale, which would end up hurting you. It would be like stumbling two steps from the finish line.

You have to professionalise your company by having a structure that allows you to distribute responsibilities and in which everything does not depend on you. If you don't have one, hire a CEO to run the company and report to you as the company's president or CEO. This will allow you to make a much easier transition when the buyer enters the company, be it a financial investor or an industrialist. When the buyer observes personal company management, the operation usually fails, especially with international buyers.

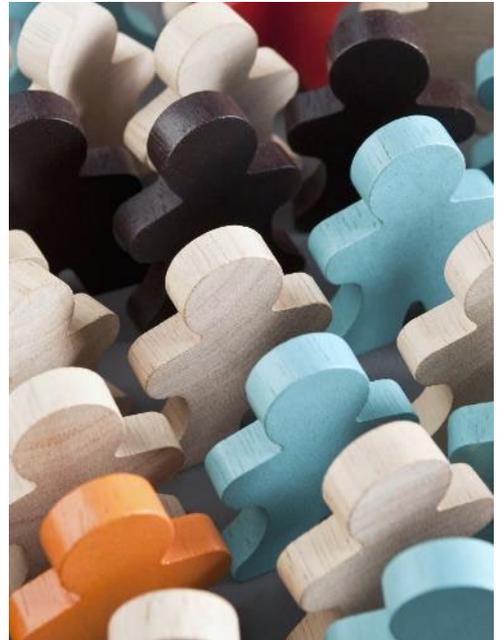
A common mistake is not having a clear and well-structured organisational chart, in which the departments of our company, the hierarchy and the responsible people appear. If there is, the organisation chart must be clear. This way, the potential buyer will have a better idea of the workflow, the pillars where the company rests, and, if necessary, which positions should be strengthened and dispensed with. Is your management team solid and trustworthy? Get down to work to redistribute the weight and forces of responsibility in your organisation chart.

2 | Working methods

You must take labor legislation into account and keep up to date with all the changes that arise. It is essential to regularize all labor aspects of the company:

- Recording and payment of overtime.
- Per diems.
- Time recording.
- Compliance with timetables.

Violations of these laws carry penalties, and potential buyers will feel discouraged if they think they may end up having to pay a fine for labour violations.



3 | Hiring models

Apart from your working relationship with your employees, you should analyse the working conditions of self-employed collaborators, freelance workers and partners who may provide services to the company, in any of its departments. Contracts must be in order and in accordance with the law.

As in the previous case, the possibility or suspicion of paying fines makes the value of the company decrease in the sale.



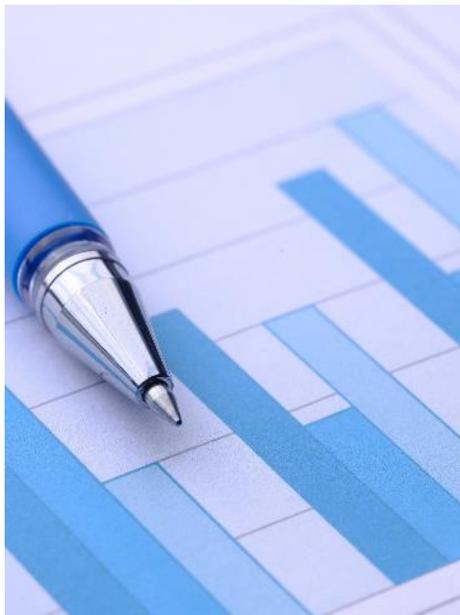
We had a client in his fifties who started a sale process because he had been trying to grow his company and was not succeeding; he also did not see his children, who were already working in the company, as successors. We received five offers, one of them at a much higher price than expected and, after signing an agreement of intent, we started the due diligence process. It was then that the client started to delay providing information and began to be reluctant.

We approached him to tell us what was going on and he explained that, as the process progressed, he saw more disadvantages to selling the company than not. In reality, he was simply not emotionally prepared for the sale.

STRATEGY

The strategy your business follows, defines what your objectives are, how they are met and how results are measured. A sense of improvisation does not appeal to investors. It is crucial to be clear about what you want to do, rather than defining your strategy as you go along. Presenting potential buyers with a company that consistently delivers on its objectives gives them a sense of security and reliability. Buyers shy away from volatile companies. Even if yours is not, a lack of strategy can put it at risk of being perceived as such.

1 | Planning and strategic plan



Do you have a strategic plan?

Size doesn't really matter in this case, planning matters. Many small and medium-sized companies do not have a strategic plan that defines where the company is, where it wants to go, what goals it wants to achieve and the means to achieve them. Therefore, develop a strategic plan that contains all of this, including a business plan for a period of three to five years. Within your business plan, try not to generalise. Specialise, focusing on doing a few things very well and not too many things consistently. Remember that a business without a strategic plan is like a ship setting sail without a map.

If you have a strategic plan, is it being followed and is your company achieving its objectives? If not, you are missing an opportunity for your company to shine.

But what if you have a strategic plan, but only you know it? If you have a plan, but haven't put it in writing, it's time to do so. Many entrepreneurs have the business "in their head", but it is impossible for buyers to appreciate it if they cannot evaluate it in a written document.

During the preparation period of the sale, you should monitor the degree of compliance with the strategic plan from the operational management. This way you can compare their coherence and deviations. As a result, when you are in the sales process, buyers will see that the forecasts are being met. This will give them confidence, lower the risk and increase the value of your company.

2 | Business plan

Below the strategic plan is the business plan. This type of plan, in the case of sales, should be established for a period of three to five years. It is also important to analyse its compliance.



If you do not have one, draw up a business plan in which you define the main objectives to be achieved in financial terms: sales, EBITDA, financial debt, CAPEX and cash flow.

When you put your company on the market, any investor, financial or industrial, will ask for a realistic and credible business plan, but also an ambitious one, on which to base the future of the company. You have to be credible and generate interest in the investor who is looking for a return on the investment he or she has to make. The buyer will have more resources and will be able to accelerate the growth of your company.

3 | Information sharing

Your department heads must know both the strategic plan and the business plan. They must also be informed about their degree of compliance.

4 | Sector and growth

Are you growing at the same rate as your sector? If not, you should address strategies that increase your value within your own sector, in order to make your company attractive among all the competition. Carry out an annual sector benchmarking to identify your position within your sector in the market.



Analyse your competitors during the preparation process. Annual monitoring of your competitive environment will help you compare yourself with them.

In this case, comparisons are not necessarily hateful. This industry benchmarking will allow you to identify if you are growing at the same level as the industry; if you are below or above; if your margins are in line with those of the industry; if they are above or below, try to find the reason for this. You need to know your role in the market in order to be able to negotiate the sale of your company.

If you want to sell to a large group, bear in mind that this type of buyer always analyses the competitive position of the companies they are interested in and buys, paying more, those that can provide more value.



5 | Service offerings and profit margins



You must analyse if your service offerings and your margins are aligned with those of your sector.

Are they standardised enough to be considered an efficient product if you offer services? Efficient services reveal the relationship between what was invested, and the benefit obtained, key issues that every potential buyer evaluates.

As for your benefits, do you earn the same, more or less than your competitor companies?

A buyer seeks to expand their profits. Therefore, it is logical that they are interested in profit margins, which will indicate at what point in the competitive scale of the sector the company they want to buy is. Buyers will always want to buy the most competitive and efficient companies.

FINANCIAL STATE

Finally, we come to the financials, the figures of a firm that might make it highly appealing for purchase but are the direct result and product of all the human and technical components mentioned before.

Let's look at what errors to avoid when analyzing and compiling financial statements.

1 | Balanced Scorecard



A Balance Scorecard is a management tool that facilitates decision making. This includes a coherent set of indicators (KPIs, key process indicators) that provide senior management and area managers with a comprehensive view of the business or its area of responsibility.

The information provided by the scorecard makes it possible to focus and align the management teams, the business units, the resources and the processes with the organisation's strategies.

If you don't have one, it's time to prepare it to help the team focus the company's efforts in the same direction.

2 | KPIs (Financial Indicators)

- Have you identified your KPIs (or Financial Indicators)?
- How often is the KPI analysis carried out?



3 | Analysis of financial factors

You should carry out an analysis and optimisation of the following factors:

BUDGET

Make an annual budget of the company along with **quarterly** and **monthly closings**. It would be best to reflect that you keep a monthly control of your accounts. Calculate possible deviations from the budget and analyse why.

DEBT

If the company has financial debt, you must define it as debt with a financial cost to **banks** and **other institutions** (leasing, bondholders, invoice discounting...). There is also a difference between debts with **partners** and with **clients**. Advances, in general terms, are considered debt. You must formalise the debt through loan contracts to clear how it will be repaid when the time comes.

PROPERTIES

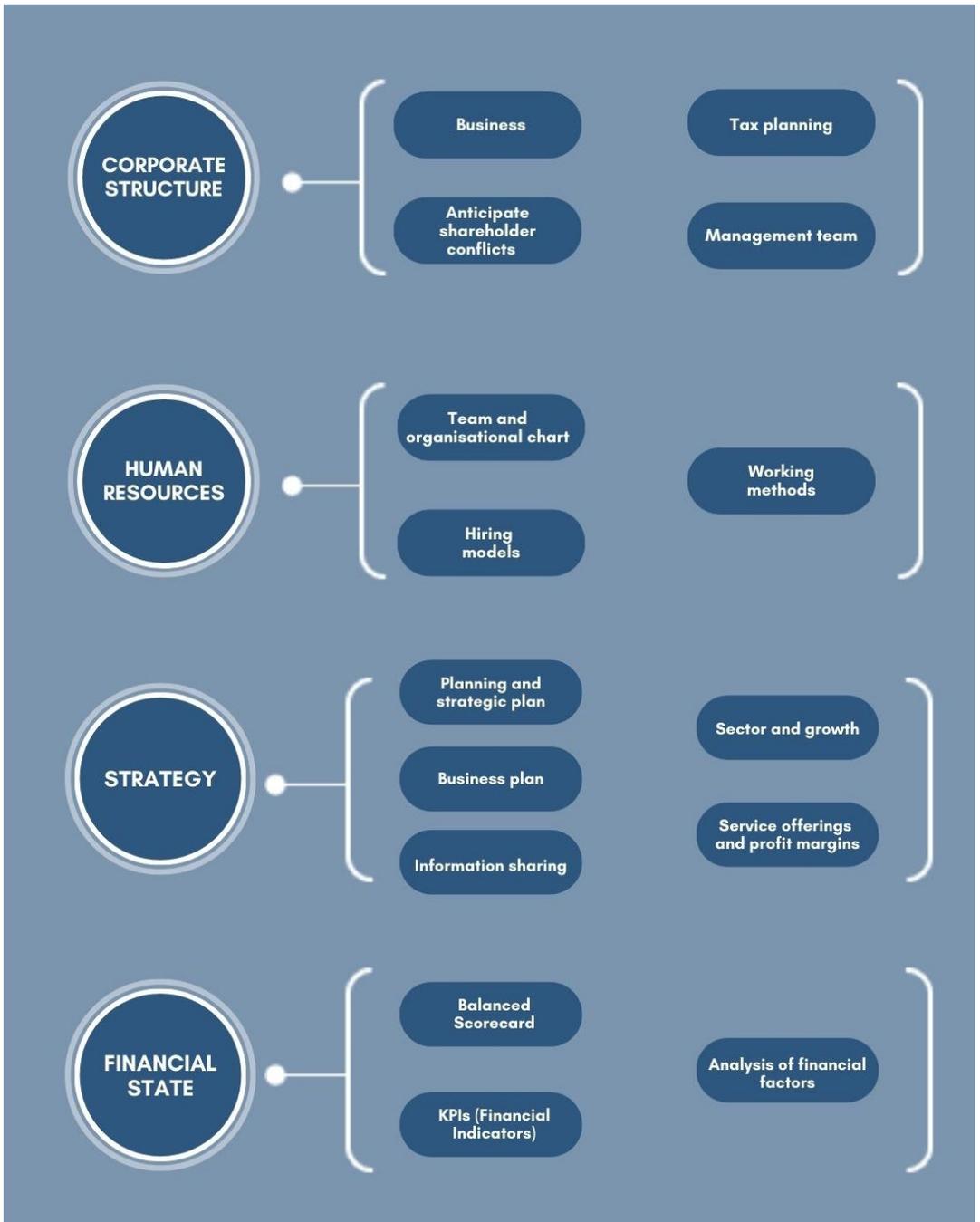
Analyse all the properties affected by the company's operations. It is ubiquitous to find that the company owns the property where it is based. On some occasions, it even owns properties that are not necessary for the company's activity. **Real estate activity must be separated from productive activity**, charging the company a market rent.

SURPLUS MANAGEMENT

How is surplus cash management carried out in the company? It is common to find a conservative management profile, where the benefits of previous years have not been distributed and have swelled the treasury. It is necessary to carry out an exhaustive study of the real cash needs for the operation of the company, which is called **working capital**. It is also necessary to be clear about the amount that can be distributed to the partners before the sale.

TREASURY

Cash tensions are usually an indicator that something is not working correctly. Tensions can be reduced with bank loans, but it is crucial to find the cause that produces them and solve the problem. There are several ways to achieve this, such as analysing the cash flow (or cash flow). If possible, manage your box by charging your customers in advance, generating a positive cash flow cycle.



4.2 | HIDING THE COMPANY'S FAULTS AND WEAKNESSES

NOT ACCEPTING THE COMPANY'S SHORTCOMINGS

You must accept and be transparent about the shortcomings of the company and the value they detract from it. Ignoring them will not eliminate their detraction in value. Hiding them is a childish approach, as the buyer will discover them during the due diligence process or when the company has been acquired.

To cover this eventuality, buyers often delay part of the payment, so that they can discount the final price if a hidden contingency arises after the sale.

You must be transparent with everything related to your business, especially in parts where you think the company is failing. Showing the deficiencies is not bad because it allows the buyer to create value precisely by fixing what does not work. An interested buyer will always be able to see the potential for improvement and, therefore, value creation.

For example, if you have a SaaS business with healthy cash flow but no marketing, that's an excellent opportunity for the right buyer.

Believe it or not, the defects of a business can often become one of the biggest attractions in a sales agreement.



We had a client who was approaching retirement age and was concerned about the frequent technological improvements that were required in his industry. To remain competitive, he needed to make investments every few years. In this situation, he saw it as a disadvantage to put the company up for sale.

He was unaware that his company was functioning in a highly appealing industry to specific groups, which swiftly made the necessary investments profitable.

NOT SHOWING FLAWS SOON

It is much less expensive to remove financial “warts” before your business goes public than to have them discovered by the buyer during due diligence.

In some cases, inaccuracies in accounts receivable accounts payable and inventory records come to light.

Buyers often insist on pre-closing audits. After the audit, the sale price may be reduced because working capital may be lower than the industry average.

Financing defects can be costly in price reductions, higher taxes, increased bonds, extended payments, increased legal fees, and the buyer's inability to obtain financing at a reasonable interest rate.

Financial flaws kill more deals than any other factor. And even when the deal goes through, negotiations drag on, and the deal often closes at a lower price than specified in the letter of intent.

If financial problems are not resolved before putting the business up for sale, it is essential to disclose them in the Book of Sale.

If the buyer finds a significant flaw that you didn't disclose during your due diligence, they may lose confidence and spend more time looking for other defects in the company. In extreme cases, the operation can be cancelled.



If financial problems are not resolved before putting the business up for sale, it is essential to disclose them in the Information Memorandum.



NOT UNDERSTANDING THE PERSPECTIVE OR INTENTIONS OF POTENTIAL BUYERS

The buyer rarely buys what the seller thinks they are selling, so educate yourself on what different types of buyers may be looking for.

For example, investors are often looking for yield and growth potential. The synergistic buyer may be seeking to improve profit margin by cutting out the middleman, instituting economies of operations, or eliminating duplicate facilities or employees.

Some competitors may see the business as an immediate increase in market share.

Understanding the respective criteria of different buyers can help you sell your business more effectively and better understand why they offer the price and terms they offer.

4.3 | NOT VALUING THE BUSINESS PROPERLY BEFORE THE SALE

To focus on preparing all the previous points, one step is to assess your company correctly. You can't correctly approach changes or get an idea of what you can ask for without knowing what you have. After carrying out the valuation, many owners are surprised by the difference between the company's actual value and what they believe it to be.

But ignoring this reality is not the best option: you will save yourself unpleasant surprises when you receive offers and you will be able to better detect the points to improve in your company at the time of preparation.

The valuation will allow you to understand the strengths and weaknesses of the company from a financial perspective, translated into numbers, and how they affect the value.

You may be surprised at how the value changes when you tweak some elements, e.g. paydays or stock days.

It will also help you understand how potential buyers rate the business. By learning to think like them, you will be able to maximise the price by taking measures before the sale that affect that valuation.

You need to take the time to understand the different valuation methods and the values at which other companies similar to yours have been sold in order to have a logical orientation of the range of value your company may have.

A company's worth is determined by its earning potential, which is evaluated against the risks involved. However, past cash flow, profitability, and asset values are just starting points. Often, the most valuable factors are the most challenging to measure.

The valuation maximises the price of the company by providing a logical and well thought-out, numerical argument, provides an objective view of the company and should be based on solid and comprehensive databases that specialist advisors handle.





- ERRORS IN THE WHO WITH

5.1 | ADVANTAGES OF HAVING A SPECIALISED ADVISOR FOR THE SALE OF A COMPANY



ERRORS WHEN CHOOSING AN ADVISOR

5.1 | ADVANTAGES OF HAVING A SPECIALISED ADVISOR FOR THE SALE OF A COMPANY

Selling a company is a complex and time-consuming process. It is elementary to underestimate this process and think everything can be done. You wouldn't be the first or the last to take your eyes off the ball while trying to sell, leaving your business to suffer, which weakens your selling proposition.

1 | Position of advantage: Experienced buyers will automatically assume an advantaged position if they see that you don't have professional help, especially with an army of experts. An experienced advisor who understands what it takes to make a transaction can control the process to your best advantage from start to finish. How often is the KPI analysis carried out?

2 | Having an intermediary: One of the best reasons to use an advisor is that they act as an intermediary between you and the buyer. There will be times when you want to take a challenging negotiating position. A professional advisor makes it possible without alienating the buyer; remember that you may have to work with the new owner during the transfer.

3 | Experience in the sales process: You are an expert in running your business, not selling it. However, it is always surprising how many sellers are reluctant to hire a consultant to facilitate the sale of their company. Advisors can add at least 10-12% to the selling price.

Most business owners find it worthwhile to hire an advisor to handle essential tasks like preparing, presenting the business to potential buyers, marketing, and negotiating.

« *A doctor who treats himself has a fool for a patient.*

Sir William Osler



You might have started your company because there is nothing you don't want to or can't do. However, if you've grown your company to where it is today, you've probably realized along the way that you required the assistance of others. Even if you can do everything, there are some things that others can do better, and your time is limited. Without a solid team, it is simply impossible to progress beyond a certain point.

The issue is mirrored when you sell your firm. Small business owners may believe that their budget prohibits them from hiring experts and may be tempted to handle the sale themselves. Given this mindset, the best suggestion is to proceed with caution, regardless of the size of your business. Being an expert in running your business does not make you an expert in selling it.

A professional advisor can guarantee that you obtain a good price for your business. Not hiring an advisor might save you around 3-6% of the price you obtain, however, hiring an advisor will dramatically enhance the price and almost certainly increase the ease and likelihood of closing the deal.

The advisors will be in charge of preparing the documents that present your company in the best possible way, identifying the buyers, including the company in the appropriate databases, generating interest, requesting offers, accepting one, and guiding the operation until closing.

MANAGING SALES INTERNALLY

Among the possible mistakes in selling a family business or company, one of the most common is trying to manage the deal internally. Often, the owner or owners of the company decide to act as direct interlocutors with the buyer. This attitude entails several disadvantages that will negatively affect the possibilities of sale:



1 | Poor image

A company that faces a sale process without an advisor or manages the sale internally offers an image of little professionalism.



2 | Differences of opinions

If there is more than one owner, it is difficult for them to agree and appear as a compact interlocutor.



3 | Ignorance of the subject

The owners know their business but not the sales process.



4 | Wear and Failed Sale

The negotiation processes for the sale of companies are long and complex and cause wear and tear. In the end, there is a good chance that the deal will not close.



5 | Participation of more than one person by way of interlocutor

The presence of more than one partner can create a chaotic situation in the event of a sale since when the process is approached internally, all the partners want to be involved in dealing with the buyer. Whoever carries out the dialogue during the process must be a single person (although later they work side by side with the owner or owners and their professional team).

SHARING THE ADVISOR WITH THE BUYER

Another error that can be made is not to seek your own specialist advisor. It may appear to be less of a conflict to have a single advisor handle the entire process.

Sharing an advisor with the buyer can lead to a serious conflict of interest. To put the differences to one side, it would be out of the question for the same lawyer to represent both the plaintiff and the defendant in any court case. The reasons are obvious.

It is impossible for any professional to seek the best interests of two parties at the same time. For whatever reasons, he will always be biased towards one of them.

It is naïve, moreover, to believe that if the advisor is introduced by the buyer, he will seek the benefit for the seller, however much it may seem to us that such a decision may simplify the process. Prudence is never a bad thing in these cases.



On one occasion, we met a client who told us, quite naturally, that the buyer had suggested to him, in order to make things easier, that there should be only one advisor in the transaction, as it was easier for both parties.

The funny thing is that he saw this as the most normal thing in the world.

It had to be explained to him that conflicting interests would arise during the negotiation, the conflicts of interest that the advisor had and all the related ethical issues.

No professional adviser, an expert in buying and selling companies, will ever offer to advise both the buyer and the seller since it is the door to a conflict of interest.

In a sales process it is impossible to please all parties involved.



CHOOSING A NON-SPECIALISED ADVISOR

In the world of buying and selling companies there are different figures. You can find specialised and non-specialised advisors. In the process of selling your company, it is crucial that you know how to distinguish who you can trust and who you cannot.

1 | The non-specialised advisors

A non-specialised advisors is a person hired for the sale of your company in exchange for a percentage of the sale without taking into account aspects such as exclusivity or confidentiality. Those advisors are in charge of indiscriminately launching the sale offer to the market: they are interested in **selling quickly and to any buyer** because he will collect his percentage sooner.

They will spread the word that your company is being sold, and the entire market will know it in a short time. They will put their interest first.

2 | The specialised advisors

The specialised advisors carry out a planned, organised and structured operation from start to finish, with guaranteed confidentiality that results in your benefit in the sale. They can find the **best buyer** interested in buying your company and pay the **best price**, ensuring payment.

Their mission is to protect the business owner and prevent the possible loss of value of the company during the sale process.



LYING OR HIDING INFORMATION FROM YOUR ADVISOR

You want to present your company in the best possible light as a seller. However, there is a big difference between representing your company in the best light possible and misrepresenting your business to potential buyers.

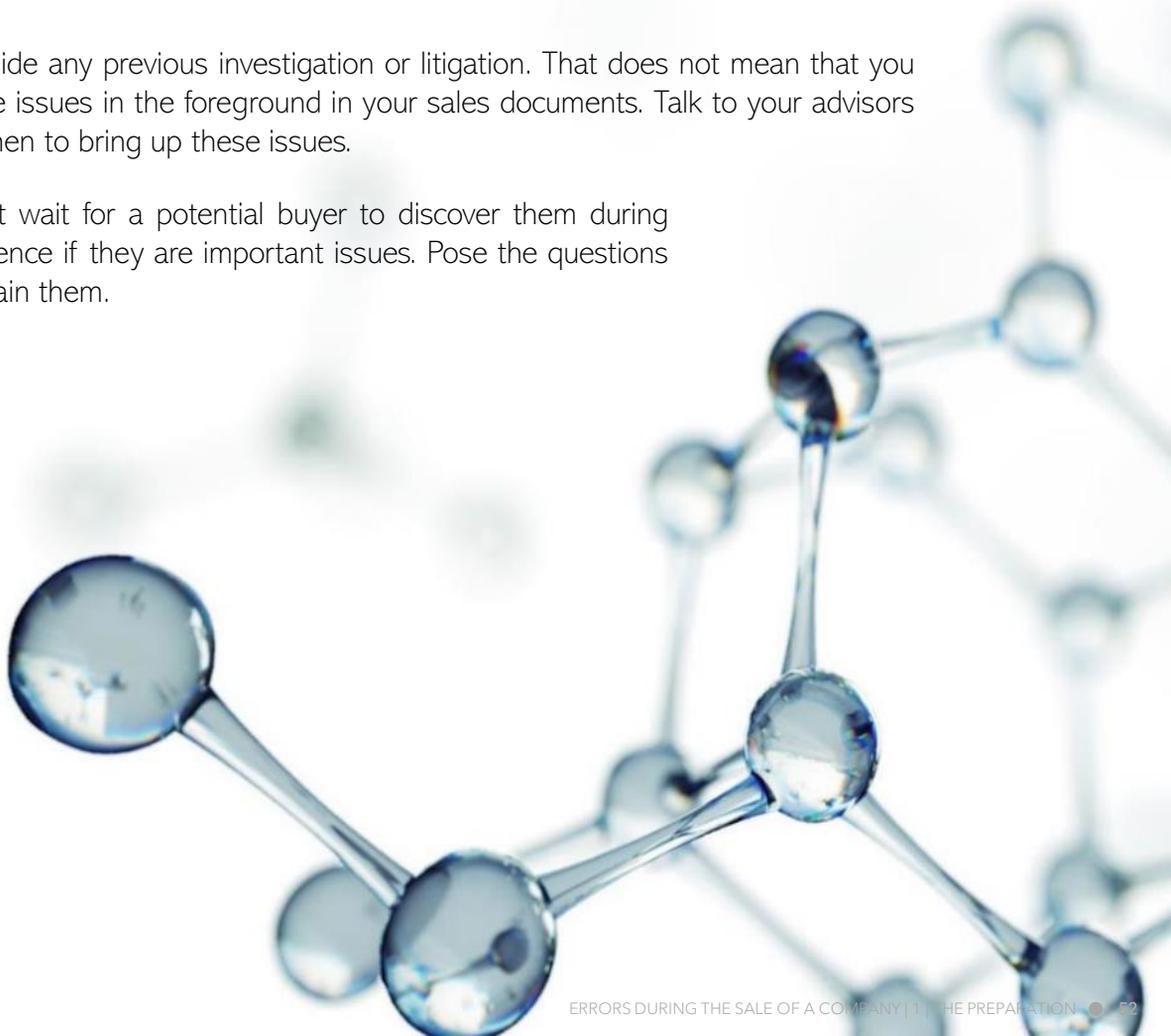
You will be tempted to exaggerate numbers, distort projections, or even cover up problems at some point in the sales process. However, misrepresentations raise red flags when prospective buyers review current financials and can become the basis for legal action after the sale.

Be honest with your advisor about everything, including business forecasts, before passing on the information to the buyer.

As a business owner, it is your responsibility to present your company to the buyer in the best light possible. But never misrepresent your business to a potential buyer in an attempt to sell it. If you exaggerate the figures before the sale, it can cause you severe problems once the buyer finds out after the sale of your company.

Do not hide any previous investigation or litigation. That does not mean that you put these issues in the foreground in your sales documents. Talk to your advisors about when to bring up these issues.

But don't wait for a potential buyer to discover them during due diligence if they are important issues. Pose the questions and explain them.





CONCLUSIONS

For the entrepreneur embarking on the sales process to be successful, there are a number of common errors that are detrimental to the operation, which should be avoided as much as possible.

The sales process must always be planned, otherwise, we can lose value at every stage. Disorder only brings risks and surprises that lower the value of the company, lengthen the process and increase the complexity of selling the company, thus increasing the possibility of failure. And that risk starts from the very beginning, from the moment of preparing the company.

Lack of experience in managing such transactions can significantly reduce the likelihood of a successful deal and increase the chances of missed opportunities.

Being accompanied by specialised professionals increases the probability of success when selling a company and the benefit obtained. They will help you prepare the company for sale, decide the best terms to propose it and which candidates to contact. They will devise the best strategy for your interests: taking the process seriously, preparing robust documentation, evaluating the company, identifying which companies are the ones that could be interested in yours and finding the ones that can pay the most.

The advisor plays a crucial role in planning and executing the entire process. Thanks to their specific skills and experience, they manage to make the process short and efficient; they know how to approach it from the beginning, avoiding mistakes in each part of the process, starting with the preparation of the company for its sale.

ONEtoONE CORPORATE FINANCE

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