

Building a business with an exit strategy

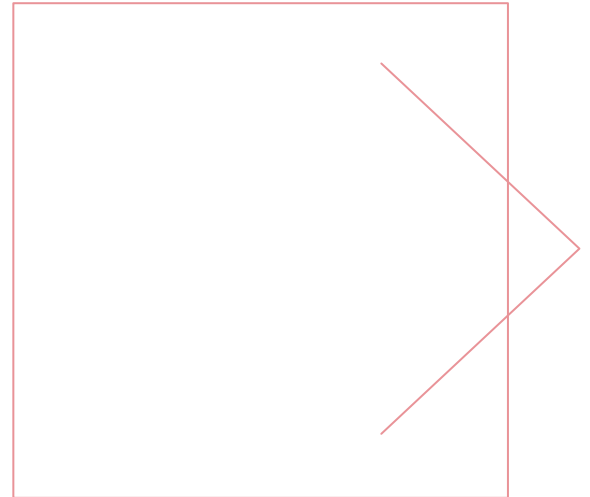
With more and more start-ups making headlines for multi-million-pound acquisitions by powerhouses like Facebook and Google, it's unsurprising that many of today's entrepreneurs are setting up their businesses with the ultimate goal of selling. Regardless of whether your chosen exit strategy is selling or an alternative, it's important to plan well in advance when starting and building your business. Here, we discuss how to build your business with a view to selling as an exit strategy.

The value of an exit strategy

Having a proper exit strategy and adequately preparing your business for your desired exit can go a long way towards attracting prospective buyers and getting you the highest possible sale price. This is because preparing for a possible acquisition requires a business to function in such a way that it continuously maximises its value. Running your business with an exit strategy in mind also means that when the time comes for sale negotiations, your business will have everything in place to keep the buyer interested, streamline the completion of the sale, and keep the business running smoothly under the new owner.

Preparing your business for your exit

To develop your business with an exit strategy, it's essential to keep focused on driving the value of the business. This means building the business's assets, reducing its liabilities wherever possible, among other steps to keep its market value high.



Showing consistent profitability

The first major indicator of a business's value is its consistent profitability. This must consequently be a top priority for business owners hoping for a lucrative sale in the future. Of course with start-ups, profitability objectives should be consistent with achieving maximum growth as well. To this end, you must ensure that proper financial systems are in place to maintain a steady cash flow and keep your business out of debt. This may involve implementing a cash flow forecasting system, for example, or improving your invoicing system. It's equally critical to pay all overheads on time and avoid falling into debt at all costs.

With profitability holding so much importance for prospective buyers, business owners should focus on building their company until it's at its peak market value before selling. As such, entrepreneurs aiming for the eventual sale of their business should always be devising new tactics for fuelling profitability, such as diversifying the customer base, improving its product or service offering, and using creative marketing strategies.

Keeping meticulous records

As due diligence often constitutes the deciding factor in whether a buyer will move forward with an acquisition, businesses must take the initiative to facilitate eventual due diligence investigations. This means keeping meticulous records of all your business's transactions, statements, payroll and staffing data,

key commercial contracts, intellectual property rights, databases and inventories.

All administrative paperwork should also be impeccably organised and readily available, including employment contracts, tenancy or ownership agreements, records of annual reviews, written grievances, and so forth. Not only is maintaining well-organised books and paperwork good preparation for a future acquisition, but it's simply good business practice and can ultimately separate a successful business from an average one.

Prioritise branding

From the outset, you must carefully strategise to develop a strong, unique brand for your company. This is crucial, as a recognisable brand brings goodwill and customer loyalty while setting your business apart from its competitors. It is almost important to 'refresh' the brand every few years, to keep customers invested in the business' evolution and identity. Especially in the social media age, strong branding initiatives cannot be more overstated as they can significantly contribute to the value of your business and boost its selling price in the future.

Prepare prudently

When preparing any exit strategy or planning for a possible sale, the counsel of an experienced solicitor is of paramount importance.

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