

OUR GUIDE TO FINDING AND CHOOSING A BUSINESS TRANSFER AGENT OR BROKER

Tips for business sellers who want to secure the best deal.

Find out:

- Why you should use a Business Transfer Agent or broker
- 12 things you should look for in a good BTA or broker
- How to get the best from your business broker

“Select your broker with care. Do you need a national specialist or a local generalist? Big or small? Is there a middle ground?”

Should you pay a retainer or just a % of sale price?

How to incentivise a broker to get the best deal?”

For example...



... amongst many.

A Truelegal Guide,
written by
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20 years' experience of
acting for
business buyers
and sellers.

Successful deals are all about teamwork

No matter what your level of business knowledge and experience, there are some aspects of buying and selling a business that require specialist professional advice. Rather than look upon these appointments as an unwelcome expense you should see them for what they really are, a crack team of skilful deal makers who will save you time, money and unnecessary stress.

A finance specialist will help find solutions to funding issues and advise on minimising tax liabilities, while a business solicitor will negotiate on your behalf, identify risk, ensure legal compliance and draw up a watertight contract. What's more, by delegating responsibility for complex elements of the deal to the professionals, your time is freed to focus on ensuring you maintain your day-to-day business and income.

So what about Business Transfer Agents (BTAs) or Brokers - are they an essential part of your professional team? In my opinion, yes absolutely, when you find the right one.

Why use a Business Transfer Agent or Business Broker?

I've specialised in working for business buyers and business sellers of all shapes and sizes over the last 20 years and there is always one factor that plays a huge influence on the smooth progress of a deal, namely, the part played by an experienced business transfer agent or broker.

While business agents and brokers predominantly act on behalf of sellers, it is also in their interests to keep a contact base of serious prospective buyers and so, whether you're a business buyer or a business seller, it makes good sense to make contact with them for the following reasons:

A good business transfer agent will:

- have exceptional market knowledge, by region and sector, and access to extensive business transaction databases which give them reference points for establishing a realistic valuation
- act as an intermediate between buyers and sellers, screening prospective buyers and ensuring that only pre-qualified buyers, who have shown evidence of financial backing and signed a confidentiality agreement, are introduced to sellers
- offer sophisticated marketing and advertising services which promote your business in the best possible light and have the necessary tools and resources to make direct contact with an extensive database of potential buyers
- be a skilled negotiator, familiar with and adept at overcoming common obstacles to secure the best possible price

You'll find that all of these benefits, and the resulting money saved in wasted time and gained from maximising your sale price, more than outweigh the cost of the agent's or broker's fees.

How to find a good Business Transfer Agent or Broker

Nowadays, it's common practice to resort to the internet when searching for anything, from holiday deals to a plumber so, by all means, carry out an internet search to identify agencies and brokers in your area. However, a shiny website isn't always a guarantee of a first-class service, just as size of company isn't always a guarantee that you'll be allocated an experienced adviser, and location of company isn't always a guarantee that the brokers have the best market knowledge.

If possible, seek a recommendation

The best way to find a top-notch business transfer agent or broker is through recommendation, either through someone who has used their service as a client or through another professional adviser who has worked with them on previous successful deals.

Just like any other profession, there are good business brokers and not so good business brokers. From my own experience, I have worked with over 50 business transfer individuals or agencies and have seen the significant difference a good broker makes to a deal. At Truelegal we are lucky to have built up a close working relationship with a number of agencies who are exceptionally good at what they do and whom I would have no hesitation in recommending (please contact us to find out more).

We have also received feedback from many clients about what makes a good business broker.

12 things to look for in a Business Transfer Agent or Broker

1. **Choice.** Don't rush into making your choice. Take your time to speak to several brokers to get a feel for how they do things and what they charge. All good brokers will be more than happy to give you a free initial no-obligation consultation or at a nominal fee. And get at least 3 proposals.
2. **Industry expertise.** Choose a broker who has proven expertise in your industry. Some brokers specialise in certain markets or sectors: clearly it makes no sense to sell your restaurant through a broker who specialises in selling care homes. Ask about their contacts database as well as their technical competence.
3. **References.** Ask to see references and testimonials from named clients. If possible, speak with previous clients to see what they thought.
4. **Credentials.** Check what credentials the broker has. Some are members of the International Business Broker Association which at least guarantees they will operate in accordance with a professional code of conduct.

5. **Marketing strategy.** Ask about their methodology for marketing your business and ask to see samples of printed literature and particulars of sale for other businesses. Good brokers should offer a tailor-made marketing strategy - your business needs to stand out.
6. **Experience.** Be certain who will act on your behalf. You want to be sure that you have an experienced broker as a single point of contact; someone who won't be wasting your time learning on the job.
7. **Personality.** Make sure the broker you will work with is someone you like, is personable and you feel you can trust. Selling a business can be a time-consuming process, taking on average between 6 months and 2 years. It's important that you have a positive working relationship, and that you feel the broker understands your position and has the same level of motivation to achieve the deal as you do.
8. **Communication.** By the same token you want to conclude the deal as quickly as you can, so choose a broker who is responsive, a good communicator and someone who is prepared to make themselves available out of hours where necessary.
9. **Valuation.** Don't go for a broker who gives your business a value that seems to good to be true, because it probably is! While it's hard not to feel flattered when someone places a high value on the product of your own blood, sweat and tears, marketing your business at an unrealistic price runs the risk of putting off otherwise viable prospective buyers as well as your business the unwanted stigma of being on the market for a long period of time. Every valuation given to you by a broker should be justified by facts.
10. **Fees.** Make sure you have written confirmation of what and how the broker's fees will be charged and double check the small print. Whilst it is usual for brokers to charge a starting retainer, this should be minimal. Make sure that the majority of the fee is contingent on sale and calculated as a percentage of the final sale price.
11. **Professional recommendation.** If you've already appointed a specialist business solicitor, he or she is more than likely able to recommend a good business broker for you. This offers dual benefits: you have the reassurance of a broker recommended by a professional you trust and you also reap the rewards of working with a team who have successfully worked together on previous deals and who share the same values.
12. **Questions!** And, finally, expect questions! A good broker will want to know as much about you and your business and goals as you do about them. They should show a genuine interest in your transaction and convey a passion for what they do.

How to get the best from your business broker

Be prepared

Whether you're a business buyer or a business seller, there are things you can do which are guaranteed to get your broker's attention and build a positive rapport. It all comes down to demonstrating your intent by evidencing your commitment to the sale process through preparation.

You wouldn't invite an estate agent round to value your house without first tidying it up a bit and ensuring it's well presented. The same goes for selling a business. Put yourself in the buyer's shoes and look at your business from their perspective. If you were buying the business, what would worry you? If there are gaps in your business' information or documentation, now is the time to fill them.

Items on your pre-sale checklist should include:

- Check that your statutory documentation is in order, for example incorporation certificate and company registers
- Accounts for the last 3 years and management accounts for the period since your last year end, the latter presented in a buyer friendly format, completed tax returns and HMRC correspondence
- Assessment of any extraordinary expenses and unusual tax planning
- Details of any loan agreements and overdrafts
- Contracts with customers (preferably evergreen or long term) and key suppliers
- Employee contracts and details of any pension arrangements and share options
- List of properties and assets owned or leased with details of use and ownership
- Registration and licence documentation for any intellectual property rights
- Details of any disputes and pending arbitration or litigation
- Health & safety audit, assessments and compliance certification

If you can show business transfer agents and brokers that you are well prepared - or taking the necessary steps to fill any gaps - and share with them your reasons for sale and ultimate goals, they will be far more likely to give your business sale their immediate attention. It is only by having a full and accurate understanding of the bigger picture that they can present your business at its best.

How the broker assesses Business Buyers

A good broker will only give prospective buyers their proper attention if they can demonstrate they have serious intent and prove that they are not just “tyre kicking” or snooping for sensitive information.

To show that intent they should have:

- given considered thought to what type and size of business they want to buy, taking into account their skills, experience, interests and motives.
- explained their personal circumstances and, if necessary, explored options for borrowing and the provision of security. It’s not just the purchase price they need to finance. It’s crucial both for the landlord, future success of the business and your deferred sale price that they also have sufficient reserves to fund both the day-to-day running of the operation.

Ensuring that your broker has a process for identifying serious prospective buyers who already has possible sources of finance in place, means your sale process will likely be smoother.

Get in touch for professional help along the way

At Truelegal we have chosen to focus our advice solely on helping business buyers and sellers. Our team of solicitor experts and the support staff are all experienced in the business buying process and have seen many transactions of the type that you are contemplating.

If tapped into at an early stage — often earlier than a prospective seller thinks — we can apply this experience to finding the right agent and working with them to strike a better deal for you, sometimes saving several thousand pounds for you. Early advice and investigation may also prompt you *not* to make or pursue an offer if the deal (or the agent’s terms) does not seem right.

By specialising in the business buying and selling field we also come across other business purchase experts such as brokers and transfer agents and accountants, and we would be pleased to connect you to the right one.

Please contact me or one of my team to get a flavour of what we can do to assist you with your own plans. Rather than the generic guidance provided in this guide, we can focus in on your specific needs and business opportunity.

Don’t worry, the “billing clock” won’t be ticking. We provide fixed fee quotes once we know more about your own requirements.

