Preparing Your Business for Sale

What is your business exit strategy? Selling a business at the best value takes planning and preparation.

Plan to Sell Your Business Before You Need to Sell

Selling a business is often one of the biggest financial decisions a business owner will make — it's the sale of a major asset they've spent years building. Early planning and preparation can make a huge difference in the outcome. Some business owners leave it too late, and they (or their estates) are disappointed at the price they get.

Here are a few key areas that business owners can focus on during the planning stage — areas that can help maximise the value of the business and also make it more attractive and easier to sell when the time comes.

Maximise Profitability

Profit is often the first thing buyers look at. Buyers often comment "Our family spends $120,000 a year — we just need a business that earns at least that."

The earlier you plan for this, the better — because you can't go back and change the numbers on your financial reports. Once your GST return and tax return are filed, those figures are final. Buyers often ask for the past three years' annual reports. If you've padded your expenses to save tax, they may look less attractive to a buyer.

One of Serena's clients targeted a printing company to purchase. The previous year's annual report had not been completed, company assets included a hangar, and aeroplane and the running costs of the aeroplane were included in business expenses. The client had several meetings with the seller to verify what the real costs of the business were, and each expense category was evaluated, before an offer was made.

One of Grace's retail clients had 35% gross profit margin on the financial report shown for this year, and 23% for the year before. When she asked why, the answer was simple: they didn't do a stock count at year-end.

Review your financials at least a couple of years before going to market. Look at how you can increase sales, reduce unnecessary costs, and clearly separate personal expenses from business ones. Consistent revenue and profitability over the past two to three years not only attracts more buyers — it also gives them confidence to make a strong offer.

SOP Manual & Upgraded Systems

Next, make sure the business isn't dependent on you, the owner. If all the business goodwill is because of the owner's connections and experience, then that goodwill evaporates when the owner is gone.

We've seen businesses continue operating the same way they did ten years ago — no written procedures, outdated software, and everything in the owner's head.

On the other hand, we've worked with owners who have introduced cloud-based tools. — where they can instantly see what's in stock, what products are moving, and what isn't. That data helps them make better decisions — and helps buyers see the business is well-organised and can run without the owner's daily involvement.

A proper SOP (standard operating procedures) manual and upgraded systems make a business more scalable, easier to manage, and far more attractive to buyers.

Identify, Reduce, and Mitigate Risk

Red flags don't go unnoticed. For example, review your lease document which you might signed years ago and completely forgot what the terms are.

Check how long is left on the lease? When is the final expiry date? When is the next rent review? If the lease is expiring soon, check if the landlord likely to offer a longer term? If a rent review is imminent, what is the new rent? This will impact profitability. In most cases, it's better to find this out early — rather than leave it to the buyer to negotiate.

Serena's client found out the landlord of the printing company did not want to renew the lease, despite the representations made by the seller. The purchaser walked away from negotiations at that point. Several months later, the seller came back with a new offer for a substantially lower figure, provided that the purchaser paid the cost of moving the printing equipment to its new home and agreed to employ key staff.

Other things to consider include:
- Ensuring key staff have proper employment contracts in place
- Documenting supplier or customer agreements
- Reviewing how much stock is held

- Checking that all equipment is in good working condition

Tidying these up before going to market can significantly reduce buyer hesitation — and may even improve your negotiation power. The goal is to present the business as stable, low-risk, and well-managed — something a buyer can confidently step into and grow.

Bonus – A Good Handover Builds Buyer Confidence

One last point that often help to seal the deal is offering a good handover and post-settlement support. When the seller is willing to stay on for a few weeks to train or support the buyer, it gives the new owner confidence. Especially if they're a first-time buyer or new to the industry, that support can make all the difference and smooth the process. This shouldn't be open-ended. Agree on a fixed term, hours, working conditions and pay rates for the support and make sure it is in a written employment agreement.

Conclusion: Don't Leave It Too Late

If selling is part of your eventual exit strategy, don't wait until you *must* sell. Serena recently met the adult children of a retailer who passed away suddenly. While grieving, they've been forced to step into the business with no preparation—trying to decipher old paper records, manage suppliers, and deal with rooms full of unsaleable stock. It's been overwhelming and heartbreaking.

Contrast that with a planned sale: tidy systems, a clear handover, and a good price that lets you retire on your terms.

Preparing now gives you options later—whether that's stepping away entirely, taking on a new business partner, or simply knowing your business is ready for sale when the time comes.

- *Grace Zhang and Serena Irving*

Grace Zhang is from LINK business brokers in Ellerslie, Auckland. If you know anyone who's thinking about selling "one day," Grace offers free, confidential appraisals to help them understand where they stand and what steps to take next.

Serena Irving is a director in JDW Chartered Accountants Limited, Ellerslie, Auckland. JDW is a professional team of qualified accountants, business consultants, tax advisors, trust and business valuation specialists.

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