



Ten-point guide to selling your business

Part 1: Overview

M&A and Transactions Advisory



Are you selling your business?

Selling a business can be an overwhelming yet rewarding journey. To help you navigate through the process, we created a ten-point guide series that will provide you with the insights you need to make a successful exit. In the following months, we will dive deeper into devising a strategy that will help you achieve your objectives and maximise your deal value.

Given the ever-increasing investor appetite and influx of capital within the UAE and broader Gulf region, exit opportunities for owners have increased but the process has not become any easier.

There are several critical components to selling a business with the aim of achieving the optimal deal value including: negotiating favorable terms, running a discrete and confidential process and keeping business disturbance to a minimum.

The three stages to selling a business:

In this guide, we have set out three stages including 10 key steps that will help you ensure your value is protected, connect with the right buyers and make informed decisions for a successful sale.



Disclaimer: No transaction is ever the same!

Preparing for sale



1. Alignment on exit objectives

Before committing any time to a sales process, it is fundamental that there is conviction from you as the shareholder(s) to go through with the sale of your company. It is a tough and at times a lengthy process that will require you to deploy significant time and mental effort.

It is critical that before progressing any further, there is alignment amongst all shareholders (if applicable) on the end goal. It is important to take time to discuss what you want the exit to look like: e.g. would you be willing to stay in the business and if so, for how long? What are your pricing expectations? What is the story you will tell investors as to the reason for the sale? Which employees will leave with you upon exit and which will remain key to succession within the business?



2. Engaging the right advisors

Selecting the right financial and legal advisor who have the requisite level of experience will ease the burden for you from day one of the process. They will fight your corner and help to maximise value and strive for favourable terms from negotiations throughout the journey. A key role for the advisors will be to manage the timeline of the deal (particularly important given the seasonality in the UAE e.g. impact of Ramadan, Summer travelling), prepare robust documentation, discuss your options at each stage (e.g. deal structuring, negotiation tactics, whether to take out Warranty & Indemnity Insurance which has become more prevalent in the region), whilst allowing you to focus on running your core business day to day. There are several nuances to running a sales process in the UAE and your advisors will guide you towards what is typical market practice and critically, what is not. Early on in the relationship with your advisors, it is important to be honest with them and ensure they are aware of the good, the bad and the ugly components of the business.



3. Preparing the business for sale

A key benefit of getting your advisors involved early is that they will highlight any red flags that potential investors may raise with your business. This will allow you sufficient time to mitigate any risks found and ensure the business is showcased in its best light. In any business, there will naturally be legacy legal, financial, HR items that can be cleaned up in advance of a potential transaction. Sellers can opt to obtain a 'Vendor Due Diligence' from legal or financial advisers to ensure there are no surprises later on in the process when investors perform their own due diligence.



4. Internal expectations on pricing

It cannot be stressed enough to 'know your number' early on. Many sales processes fall down later on due to a misalignment on pricing expectations as investor offers come in below what is deemed an acceptable range. Whilst maximizing value is naturally the core objective, your advisors can help provide you with an independent, objective view on where the market is for your business, before reaching out to investors.

The valuation work performed at this stage is typically internal only and is not shared with potential investors who should be made to do their own homework prior to placing their offers.



5. Marketing documents and business plan

Investors typically require several key documents in order to gain sufficient understanding of the business prior to making any formal offer. You will likely, as a minimum, need a robust information memorandum that articulates the equity and growth story of the business and the opportunity that exists for a buyer, along with a well supported financial forecast model to put numbers against management's strategy. These act as a critical starting point for any investor to assess if they want to dig deeper into the opportunity.

Going to market



6. Approaching the right buyers

The sales process will live or die as a result of this stage. You may be in the fortunate position of being able to identify a buyer for your business immediately, but it is important that you cast the net sufficiently wide enough to create competitive tension and drive up pricing.

Knowing what type of investors would be interested in your business is important and is an area that you can support your advisor with, particularly if there are some nuances to the way your industry works. Your advisor will be able to guide you as to potential investors that have appetite to invest in the UAE and what their mandates are (i.e. Shari'ah compliance, ticket size, stage in business cycle).



7. Maintain confidentiality

If competitors, customers, suppliers or employees find out your business is for sale, it can create uncertainty and impact the overall value, and as a worst case, damaging the whole sales process. Knowledge of the transaction should be on a 'need-to-know' basis and having the appropriate advisors will help to maintain this confidentiality, along with only including the necessary people within your company as part of the inner circle. Additionally, during this stage, a confidentiality letter (usually referred to as an NDA) will be signed by potential investors to provide an element of legal protection.

Signing to completion



8. Managing the Due Diligence process

Typically, once both parties have signed up to a non-binding offer, due diligence will commence. During this step, the buyer(s) will review, examine and inspect your financial statements, records, contracts and a lot more. Many sellers are unprepared for such a hands-on process, as usually they are unaware of just how much data and information they will need to provide. All due diligence information should be ready and available. Getting advisors in to assist you with collecting the required data could be critical in managing the sales timeline. Typically, your advisors can help you set up the virtual data room and ensure the information shared is needed and accurate to avoid any excuse for the buyer to reduce its initial offer.



10. Completion and transition

Whilst the due diligence process is concluding, both parties may elect to start drafting a sales and purchase agreement (SPA) to confirm the deal. Whilst most documents during the course of the selling process are non-binding, the SPA is a final, binding commitment. Your lawyers and financial advisors will strive to ensure that key terms are in your favour to the extent possible. Post signing of the SPA, there will likely be a number of conditions precedent that must be satisfied before the business changes hands. It is critical to be fully aligned with your advisors as to what these are and any issues that you may foresee in completing these (e.g. regulatory clearances, approvals, operational steps etc.).



9. The business comes first

Whilst the sales process is in full swing, it is important that management can continue to take care of the day-to-day operations. The financial performance will be reviewed by the buyer up until the point of completion so the show must go on despite all the uncertainty and transaction related activity taking place. Lean on your advisors at this stage to involve you only at critical stages, this will allow you to protect the value of the business.

M&A and Transactions Advisory Team

Our M&A and Transactions Advisory team actively originates and executes transactions across a range of sectors. Some of the current as well as recently completed transactions include businesses in logistics, technology, real estate, food & beverage, healthcare, education, financial services and oil & gas.



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