

Moving on?

David Parker considers the steps that need to be taken by anyone selling their pharmacy business

If death, divorce and moving home are ranked as life's most stressful experiences, then selling a family pharmacy business can seem like all three of these happening at once. The good news is that I don't know many retired pharmacy owners who look back and regret the decision they made.

Unfortunately, as with moving house, the decision to sell the business is only the start of it. Before you find yourself reposing on a sun-lounger in the Bahamas, there are a number of hoops and tests that you and your business will have to squeeze through.

The aim of this article is to give any owners thinking of a sale some insight into the typical steps that are involved in a business sale, so that they are expected and can be planned for. A typical sale would follow the following relatively standard path.

The decision to sell

Making the decision to sell is wholly your responsibility. By all means seek professional advice on market conditions and potential values, but only you can take the final decision. If you are not totally convinced the time is right, then don't sell.

Tidying up

It is always best to tidy up any legal, commercial or practical issues that may give concern to a buyer before you market your business. It is common in a business that has been in the family for many years to have some informal but eminently practical business solutions. For example, your young son may do the deliveries using his own transport, or you may rent the premises from your sister on a poorly drafted lease. Do what you can to formalise, or change, these arrangements to the extent that they are workable for a potential buyer. You will almost certainly want to plan, from both a legal and financial point of view, how best to sell the business.

Information gathering

You will need to gather the information required by buyers. With nobody to answer to, other than a spouse, the hard and factual information that some family businesses have at their fingertips can be fairly sparse. Nevertheless, once you have decided to sell, it is very important to pull together a good quality dossier of all the information a potential buyer is likely to need. The extent of the information required at the marketing stage is less than that required later on (see due diligence). Although at this stage the format of the information is not

critical, what is of utmost importance is that it is accurate and transparent. Poor quality or sketchy information will lead to poor quality or sketchy offers.

Marketing of the business

The approach you take to marketing the business will, to an extent, depend on how confidential you want to keep the sale. The less confidentiality you require, the better the chances of maximising your sale price. Indeed one of the best prices I have ever seen achieved for a pharmacy business was one which was sold publicly at auction. Whatever approach you use, it is important to recognise the target buyers that would be most interested in your business (some businesses suit small groups, some suit large groups and some suit private individuals or first-time buyers) and get the best exposure possible to these.

Co-ordinating offers

It is essential that the seller guides the process, timing and format for making offers. In this way you can be certain that you are in a position to consider all options at the same time and that you compare apples with apples.

Selecting and formalising an offer

With all offers on the table you can select the one that is of most interest to you. This may not necessarily be the highest value offer, but may perhaps be the one most likely to complete the deal. The offer should be expressed formally by way of an offer letter or letter of intent that specifies as clearly as possible, not only the offer, but the next steps in terms of moving the transaction to a close. It is not unreasonable at this stage for the buyer to make the offer conditional on a number of things. After all, the buyer has probably had sight of only a limited amount of information and has almost certainly had to accept much of this in good faith.

Buyer's "due-diligence"

Although you may not be familiar with the expression, it is normal practice for almost all buyers to ask that you help them undertake a "due-diligence investigation". This may be a requirement of the buyer's financier, but, in any regard, it just makes commercial good sense. Just as people feel the need to look under the bonnet before buying a car, they will almost certainly want to check that the business they are buying is indeed "what it says on the tin".

The demands for information and clarification during this phase of the process can be very



wearing and time-consuming. Vendors at this point may feel 100 per cent committed to the sale and already be flicking through the brochures of the overseas-property supplement. Understandably, then, they can feel anxious or irritated by the delay and insecurity that "due diligence" imposes. What I would point out is that due diligence serves two very clear purposes: (1) For the vendor to verify that the information upon which his

evaluation was made is indeed representative and true — assuming that you have given good quality and honest information from the start, then this should be a formality.; (2) To identify the practical, legal and financial issues that need to be addressed in the sale contract and at completion — once again, if you have prepared your business for sale well, then this should be quite straightforward.

Assuming the above are satisfactorily covered, "due diligence" is not an opportunity or time for changes to the offer that had been agreed earlier. To that extent, it is important that the whole of the process and the spirit of the agreement are discussed with the buyer before signing up to an offer.

Sale and purchase agreement

Although the sale agreements can appear complicated and beyond reasonable human comprehension, the fundamentals of the agreement are to document what should reasonably be expected by both parties. Various legal advisors specialise in this role, which is simply to translate practical and reasonable expectation into bullet-proof legal agreements. The best agreements are the ones that are signed and never referred to again.

It is important that you are involved in and understand the document setting out the sale and purchase agreement. However, as with the due diligence exercise, the contracting process should not be seen as an opportunity by either party to chip away at or tweak the global offer. The expression "contract negotiations" is often used in the business to describe this phase of the transaction. In my opinion, this can give the impression that you are entering into battle, where only the toughest and meanest survive. I would however suggest that the truth should be quite the contrary; if the transaction has been clearly and honestly managed from the start, the contracting process should simply be about working together towards the common goal of a sale, whilst honestly addressing reasonable concerns as and when they arise. To that extent, good reason and understanding are the only weapons both parties should take to the "negotiating" table.

And what better state of mind is there in which to begin the rest of your life?

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