Preparing your business for sale

By Robert Palmer, Managing Director, Prism Consult

So you´ve decided you have a magazine publishing business - or part of one - that you want to sell. What do you do now? How can you make it more attractive, more valuable in the limited amount of time available to you? And how can you make the subsequent sales process quicker and easier? Follow the 39 steps below to prepare yourself and your business for sale.

Questions to ask of yourself before you sell the business

1. Why sell your business at all?

a. Why not develop what you´ve got? You could launch or acquire new magazine titles and events. Or expand online. If you can still identify opportunities for growth, why not take advantage of them and reap the rewards yourself?
b. Are you being forced to sell? By other shareholders perhaps? Or by a need to raise money?
c. Is there a sound strategic reason for selling assets? For example, get ting rid of non-core activities?
d. Is the underlying market strong? If so, why are you getting out?

2. What can you sell?

a. The whole company? A shareholding? Company assets, and if so, which assets?
b. Is what you want to sell easily detached from the rest of the company? Are there linked databases, exhibitions and events, or overlapping personnel?

3. If you sold your business, what would you want to do?

a. Stay on as a key manager, or as a consultant, or leave the company altogether? In which case would you:
b. Retire, do something different, or do something similar after a short break or contractually prescribed gap?

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4. Does the business´ location affect its saleability?

   a. How easy would it be to transfer its assets, staff and/or business model from, say, Inverness to Exeter?
   b. Could the buyer´s location be a factor? For example, does where your readers or advertisers are located dictate where the business should be located?
   c. Is your business model based on telephone or face-to-face selling?

5. When would be the best time to sell your business?

   a. For personal tax reasons
   b. Based on any cyclical patterns within your market(s)
   c. To maximise profitability
   d. Before the money runs out.

6. Who could you sell your business to?

   a. In general terms? What are they likely to want and why?
   b. In specific terms? Who might benefit either from merging or absorbing your business into theirs?
   c. Is there one obvious buyer?

7. Who stays and who goes?

   a. Who is key to the success and smooth running of the business? You? Your editors, contributors, publishers, advertisement sales staff?
   b. What impact would a sale have on your staff? Would it involve them in relocation or redundancy?

8. How would you actually go about selling your business?

   a. Would you manage the entire process yourself?
   b. In the case of a magazine publishing business would you use a magazine broker, or a mergers and acquisitions consultant?
   c. Would you feel more comfortable dealing with someone with less specialist skills, but whom you already know, such as your accountant?

9. What figure do you have in mind?

a. What´s the lowest sale price you´d need or would accept?

10. What if nobody wants to buy your business?

a. What if you can´t find a buyer?
b. Is the business too small, too unprofitable or too reliant on you? Does it make a profit with you on board only because you´re underpaying yourself?
c. Does the business´ customer and skill base revolve around you? Are you in fact the company´s main asset?
d. What will you do if no-one buys? Will you soldier on, or wind-down the business, or wait for a short while and try to sell it again?
e. Would you consider taking on a partner more suited and better qualified to running the business, with a view to them buying you out later?
f. If you don´t actually own the company yourself, should you mount a management buy-in?

11. What are the tax implications of selling: for you and for the company?

a. Would it be better to sell the company´s assets, its magazine titles, or your shareholding?
b. Are there any tax losses that might be passed on?
c. What about stamp duty and capital gains tax?
d. Are there any group considerations?

See the sale of your magazine or events business from a buyer´s point of view

12. What would a potential purchaser value most about your business?

a. The calibre of your staff?
b. Your superior market position?
c. Your company´s profitability?
d. Access to new markets or unique opportunities?
e. Online publishing expertise?
f. Obvious or potential synergies between your products and theirs?
g. An infrastructure more suited to faster growth or higher sales?
h. Improved distribution?
i. Specialist market knowledge?

13. What might put them off?

a. A lack of experience in managing specialist revenue streams e.g. subscriptions, advertising sales, newstrade etc
b. A lack of experience in your market(s)
c. Your size - are you too small? Buying a small business can dilute a purchaser´s resources
d. Declining sales
e. A declining market
f. Low profit levels
g. Staff or management issues
h. Disenchanted customers
i. Location
j. Over-dependence on a single individual - you. And you want to leave.

14. What synergies or economies can you offer a potential purchaser?

a. Greater buying power?
b. Centralised administration, such as accounts and human resources?
c. Subscription marketing and fulfilment?
d. Centralised ad selling?

15. List all the things a new owner could do with the business if they had the time, skills, people, opportunity and imagination.

16. Remember the three main reasons why acquisitions fail:

a. The acquired company is too weak
b. The buyer pays too much
c. The incoming management team isn´t up to the job.

Put your house in order

You can choose when you sell your business, that is assuming you´re not running out of money, or that specific circumstances are forcing you to sell (e.g. a major shareholder wants out). But be prepared for the long haul. Sales rarely happen quickly, and in any event you would be best advised to put your house in order first in order to maximise both the appeal of the business, and the price you get for it. Ask yourself:

Have you found - and are you comfortable with - a full complement of professional advisors?

18. Do you actually have the authority to sell the business? If not, whose goodwill and support do you need before you can sell?

a. Family, fellow directors, other shareholders, key staff, major suppliers?
b. Do any trades unions need to be advised of your plans? And if so, at what point?

19. Are your accounts comprehensive, and is your internal record keeping and up to date?

a. Do you keep monthly management accounts, broken down by magazine title? Quite a few smaller publishing companies don´t.

20. Are there any outstanding projects that should be completed before you let it be known that the business or its magazine titles are for sale?

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21. Take time to review:

a. Your corporate structure: is it an optimal fit with your business model?
b. All contracts and agreements to check whether selling the business or key assets will trigger any important clauses?
c. All official documentation: is it up to date, including returns and data protection registration?
d. Are relevant insurance policies in place and premiums paid?
e. Systems and software
f. Staff, rewards and policy
g. Office accommodation
h. Your current business arrangements with printers, distributors, mailing houses
i. The company´s financial arrangements and tax position.

22. Balance sheet

a. Revalue fixed assets and investments, and check depreciation
b. Do you have any stock that could be sold, or written off?
c. Analyse the age of your debtors, and fully write off bad debts
d. Are there any unusual pre-payments or accruals, or liabilities?
e. Are there any County Court Judgements or other legal issues outstanding?
f. Review all loans, overdrafts, mortgages, leases, hire purchase and factoring arrangements
g. Is all tax agreed, paid or provided for?
h. Are there any outstanding issues with grouped or associated companies?
i. Calculate your subscription liability
j. Have all monies been paid to or received from shareholders?

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23. Profit and loss account

a. Account for subscriptions and newstrade sales properly i.e. allocate income (not receipts) to relevant magazine issues
b. Factor in your own time on an arm´s length basis.
c. What contra-deals are there in place for hotel bookings, airlines, trade exhibitions, etc?
d. Are all the costs really those of the business being sold, or do they cover other parts of the business?
e. Have overheads been allocated reasonably across business activities and titles?
f. Make a realistic allocation for bad debt
g. Have all directors´ expenses been claimed?
h. Have any overseas income/costs/returns yet to be allocated, or currency fluctuation costs to be added?

24. Produce a cashflow forecast covering at least the next six months

25. Your personal position:

a. What guarantees (e.g. personal guarantees) are currently in place?
b. Do you have a company pension?
c. Do you have a contract of employment with the existing company for a guaranteed term?
d. Have you made any personal guarantees which you want to off-load?
e. Have you lent the company money?
f. Are you due any expenses, dividends, holiday or shares?

26. Budget

a. Have a realistic budget for both the current and next financial year, even though it may be treated with a pinch of salt by prospective buyers
b. Ensure assumptions are clear and realistic. Cover best, worst and most likely scenarios
c. Don´t over-estimate income.

27. If necessary re-organise your responsibilities to make the business less reliant on you.

28. Think about what your competitors might do when they find out that the company and or its major assets are up for sale?

29. Consider getting an ABC (BPA, VFD etc) audit if you haven´t already got one.

Maximise profit prior to the sale

Once you´ve decided to sell, then the sale itself must be your primary focus in day-to-day matters. Introduce any efficiencies that might have an immediate effect. Long term investment decisions must be reassessed, and possibly even ditched. Short-termism has to be the new priority (without prejudicing long-term growth). Activities that don´t have a short-term impact (i.e. between the present and completion of the sale) may have to be put to one side. Expenditure that may have been tax-efficient in the past - because it reduced profits, and therefore the company´s potential tax liability - must now be cut. Profit must be maximised, because the price paid for the business will be directly related to it. It will also be in your best interest to have detailed management accounts showing increasing profitability for at least a six month period prior to the sale being marketed. In summary, you need to maximise income, delay or cancel expenditure, be more efficient, and cut costs vigorously - starting yesterday.

30. Maximise income by:

a. Reducing discount levels and the practice of discounting
b. Reducing the number of contra-deals to a minimum
c. Transferring staff onto ad sales
d. Marketing your mailing list(s)
e. Putting prices up, if you´re able to
f. Increasing low-cost marketing activity, providing it pays off quickly
g. Promoting subscriptions aggressively within your own magazine(s)
h. Promoting subscription renewals aggressively

i. Selling off book and other stocks
j. Marketing back issues
k. Considering increasing frequency
l. Introducing supplements
m. Selling advertisement features
n. Launching product cards.

31. Reduce expenditure by:

a. Delaying all new launches
b. Cutting long term investment
c. Putting a stop on all new staff recruitment
d. Only replacing non-essential staff where it can be shown that the extra profit they generate will cover their cost within six months
e. Reducing promotional spend in the short term
f. Putting all except in-magazine subscription marketing on hold.

32. Minimise costs by:

a. Focussing on shaving every cost, even if it´s only by a small margin
b. Scaling back all marketing activities that won´t have an effect within six months
c. Cutting out the padded costs: directors ´business trips´, entertaining, ´jollies´, expensive sales conferences etc
d. Freezing pay awards
e Reviewing pension schemes
f. Re-examining print runs. Every copy printed now must ´work for its living´ and show a short-term benefit. Don´t give away copies you don´t normally give away. Are ´bulks´ essential for the next six months?
g. Only promoting subscriptions via promotions that you know have been profitable in the short and medium term in the past.

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Easing the way to a quick and efficient business sale

You have a business to run, and it will suffer if you take your eye off the ball. That will affect the selling price. So use a specialist advisor expert in selling magazine publishing businesses. To get the best value from your advisor, provide them with comprehensive information before the sale process begins. Use the following checklist:

33. Information to supply to your advisor(s):

a. Each of the last two years´ issues
b. Latest audited accounts
c. Up-to-date management accounts, broken down by title
d. Most recent balance sheet
e. Analysis of the last two financial years and current year to date P&L broken down:
   i. to contribution profit level issue-by-issue for each publication
   ii. including monthly company overheads broken down by percentage allocation to the business being sold (e.g. one quarter of rent and rates, based on full-time employees, or one third of bank charges based on turnover split etc)
f. Issue by issue statistical analysis for the same 24 month period including: issue size, advertisement page analysis, print runs, copy supply figures by outlet type (as well as net sales), free and office distribution copies
g. Subscription analysis including: receipts; numbers by length of subscription and rate; new subscriptions; renewals; responses to special offers etc
h. Distribution summary and analysis
i. An advertiser analysis presented in spreadsheet format covering the last two years and including: advertiser names, sizes and amounts paid broken down by insert, advertorial, supplement and other advertisement income. Spilt out all free, house and contras from paid-for ads.
j. Top 50 or 100 advertisers by value (and volume), yield for each advertiser and percentage rate card page colour (to show discounting by advertiser)

k. List of forward ad bookings. (Try to get more forward bookings).
l. Copies of your ABC certificates
m. Copies of all printing and postage invoices for the last two years (to support your claimed distribution figures. A buyer will want to see them, anyway).
n. List of employees, their roles, cost and percentage allocation to business or asset being sold
o. Provide brief CV´s of all key personnel, particularly the directors and management (especially those who must stay with the titles)
p. P&L for any other sources of income: exhibitions and events; list rental etc
q. Any useful market or readership research findings
r. Your media packs and any other publicity material
s. Copies of important contracts e.g. if you bought the title yourself off someone else; or your exclusive agreement to distribute to all members of XYZ Association
t. A list of what you consider to be the opportunities for a new owner: things they could do that you haven´t been able to (yet)
u. Competitor titles, media packs, ad analysis and market share.

34. Make yourself freely available at all times by mobile and email

35. Make sure your solicitor is able to work quickly (i.e. they have the right information, suitable expertise and enough time available)

36. Prepare for the due diligence by the buyers

a. Make sure your management accountant is able to provide all figures the other side will need
b. Prepare a pack of photocopies of key invoices and documents.

37. Think through how the running of the business is going to be transferred

a. The buyer might stall or delay if they can´t pick up the reins easily
b. What fixed assets (e.g. computers or cars) need to go too?

c. Is the IT system a type in common use? Can files be transferred to the buyer easily?
d. Web site: what happens to that? Will you or the buyer need a new ISP?
e. Will distribution suffer if ownership changes?
f. What steps are necessary to maintain continuity of trade for tax losses?
g. How will the advertising sales function be maintained while the business is being transferred?

Finally, a few ´do´s´ and ´don´ts...

38. DO:

a. Get the best advice before you start the sales process, including from your own (as opposed to the company´s) accountant
b. Get it right first time: you may only have one bite of the cherry. Better to get it right late, than wrong early
c. Be realistic
d. Look business-like - appearances matter
e. Be prepared for disclosures: be aware that you (as a director) will need to make exhaustive disclosures about the company and give warranties about anything nasty coming to light later
f. Be frank with your advisors: if they´re really going to help you they will need to know where the skeletons are buried. What may appear to you as a weakness can often be presented to a buyer as an opportunity
g. Think about your future: how long are you prepared to agree to stay out of that area of publishing when you sell up?
h. Protect your own interests
i. Take your full holiday entitlement

39. DON´T:

a. Try to have your cake and eat it too: hanging onto the circulation list or trying to set up in the same business immediately could sour an otherwise good deal. People have long memories.
b. Lie or prevaricate: due diligence will flush out overstated distribution claims or un-invoiced contra deals. If you´re caught out, all other

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c. Try to do it yourself on the cheap: you won´t to be objective and you´re unlikely to match the skill, experience and contacts of a competent broker.