# Going, going, gone

Charles Whelan, Managing Partner of HW Corporate Finance outlines the options available to business owners wishing to sell by auction.

Selling a business for most people is a once in a lifetime event, so it pays to get it right. And, while there are an ever-increasing number of options open to you, particularly the perennially popular management buy-out, going to auction should not be discounted, especially if you're just looking for the best possible price for your business.

Whilst holding an auction is generally a straightforward process, the downside can be longer time scales, distraction of management from the core business, and a much higher chance of a breach of confidentiality.

The key benefit envisaged from this approach is that the vendor (and its advisers) can usually be satisfied they have achieved the best possible return. However this is not always the case - quality bidders can be put off by the whole process and the costs are usually far higher.

Put simply, an auction involves getting a large number of buyers to view an Information Memorandum on your business, asking for their best price and then using this as the basis for short listing a number of them to receive more detailed information. Some parties, particularly competitors who may just be window-shopping, may mislead about their true intentions at this stage, so it is important to assess this risk with your adviser.

Once the detailed information has been reviewed and presentations made to bidders by the management team, those on the shortlist are then asked to offer their best price, one of which is then taken through to completion.

If this route doesn't sound right for you then the converse would be to sell to a single buyer. This is where information is released to one party only and direct negotiations take place. Often the business is sold, usually to a business known to the vendor, with a price already indicated. The costs are lower and the process a lot quicker. You can never be absolutely sure that the highest price has been achieved, but sometimes this route can work exceptionally well in generating shareholder value, as evidenced by the sale of Skype to Ebay.

There is another option though, especially for those running very attractive businesses with obvious buyers - a limited auction. This is where the adviser runs a very tight process involving two or three (possibly four) very high quality bidders. In this situation, the adviser and the vendor review the long list of potential buyers and then work out who would have the best reasons to buy. The Information Memorandum is then tailored and presented to them with an indication where pricing must start. Once it has been established that the bidder is serious, management presentations are given and best offers sought. The two or three parties are then run through a round of negotiations to build upon the momentum that has been generated. This whole process should only take two weeks. The preferred bidder is then chosen and given a set period to complete, with the other bidders being kept warm. The only drawback with this is that the valuation must be spot on at the start of the process. But with a good adviser, doing their job correctly and pushing during the whole process, this shouldn't be a problem.

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