

Top Tips for Preparing to Sell a UK Manufacturing Business

Selling a manufacturing business in the UK requires thorough preparation across operational and financial aspects. Buyers will scrutinise every detail of your company, making preparation essential for maximising value and ensuring a smooth sale process. This guide outlines nine critical areas to address before bringing your manufacturing business to market, helping you position your company for the best possible outcome.

Get Your House in Order

Clean Up Financials

Ensure 3+ years of accurate, audited financial statements. Remove personal expenses from company accounts to present a clear picture of business performance.

Normalised EBITDA

Present adjusted earnings figures that reflect ongoing profitability, excluding one-off expenses and owner perks that won't continue post-sale.

Inventory & Asset Audit

Properly document and value all stock, machinery, and tooling. Produce quarterly management accounts to demonstrate consistent performance tracking.

Financial preparation is the foundation of a successful sale. Buyers will place significant emphasis on your financial records, using them to determine valuation and identify potential risks. Clean, accurate financial statements demonstrate professionalism and transparency, building buyer confidence in your business.

Organise Key Documentation



Contracts

Ensure all customer, supplier, lease, and employment contracts are up to date and properly documented in writing.



Certifications & Compliance

Maintain valid ISO or sector-specific certifications (e.g., CE, ISO 9001, IATF 16949) and have documentation ready for review.



IP & Legal Structure

Verify that all intellectual property, trademarks, and patents are properly registered and owned by the correct business entity.

Well-organised documentation demonstrates that your business operates on solid legal foundations. This reduces perceived risk for buyers and prevents potential deal-breakers from emerging during due diligence. Start gathering and organising these documents early in your preparation process.

Reduce Owner Dependency

If your business relies heavily on you personally, buyers will discount their offer to account for this risk. This is a critical factor that can significantly impact valuation.



Build Management Team

Develop a strong second-tier management team that can operate the business in your absence.



Document Processes

Create standard operating procedures (SOPs) for all key business functions to ensure continuity.



Transfer Relationships

Introduce management to key customers and suppliers to reduce reliance on your personal connections.

Understand Your Value Drivers

Identifying and enhancing what makes your business attractive to potential buyers is essential for maximising sale value. These factors will vary by business but typically include elements that provide competitive advantage or growth potential.



Identify Key Attractions

Determine what makes your business valuable: loyal customer base, unique products, strong margins, export potential, or proprietary technology.



Enhance Performance Metrics

Work on improving margins, customer retention rates, and recurring revenue streams before going to market.



Highlight Growth Opportunities

Document realistic growth opportunities that a new owner could pursue to expand the business further.

Understanding these value drivers allows you to focus improvement efforts where they'll have the greatest impact on sale price and attractiveness to buyers.

Tidy Up Your Cap Table & Debts

Shareholder Structure

Resolve any shareholder disputes or minority share issues before beginning the sale process. Complex ownership structures can deter potential buyers or complicate negotiations.

Consider buying out minority shareholders who might object to a sale or consolidating shares to simplify the transaction structure.

Debt Management

Restructure or reduce debt where possible, unless it's part of long-term finance that a buyer can easily assume. High levels of debt can reduce the net proceeds from your sale.

Consider which liabilities should be paid off before sale and which might reasonably transfer to the new owner. Clean balance sheets typically attract higher valuations.

Maximise Physical Presentation

First impressions matter significantly, even in manufacturing businesses. The physical appearance of your facility can influence buyer perception of your operation's quality and professionalism.



Clean and Repair

Ensure premises, equipment, and signage are clean, well-maintained and in good working order. Address any obvious maintenance issues before buyer visits.



Organise Production Areas

Implement or enhance 5S workplace organisation methods to demonstrate efficient operations and attention to detail.



Plan Factory Tours

Create a logical flow for factory visits that highlights strengths and demonstrates production capabilities effectively.

Final Preparations and Considerations

Timing Your Sale

Sell when profits are trending upward or stable, not declining. Consider industry outlook, interest rates, and market consolidation trends when timing your sale.

The ideal time to sell is when your business is performing well and market conditions are favourable, even if you're not quite ready to exit.

Post-Sale Planning

Consider your exit strategy, including whether you'll stay for a handover period. Understand the tax implications, including Entrepreneurs' Relief/Business Asset Disposal Relief, which currently offers 14% CGT up to £1m. Planning your personal financial future post-sale is as important as preparing the business itself.

Assemble the Right Team

Work with specialised M&A advisors, solicitors experienced in manufacturing business sales, and accountants who can help with tax planning and financial preparation.

The right advisors can significantly impact both the sale process and the final outcome, often paying for themselves through improved deal terms.