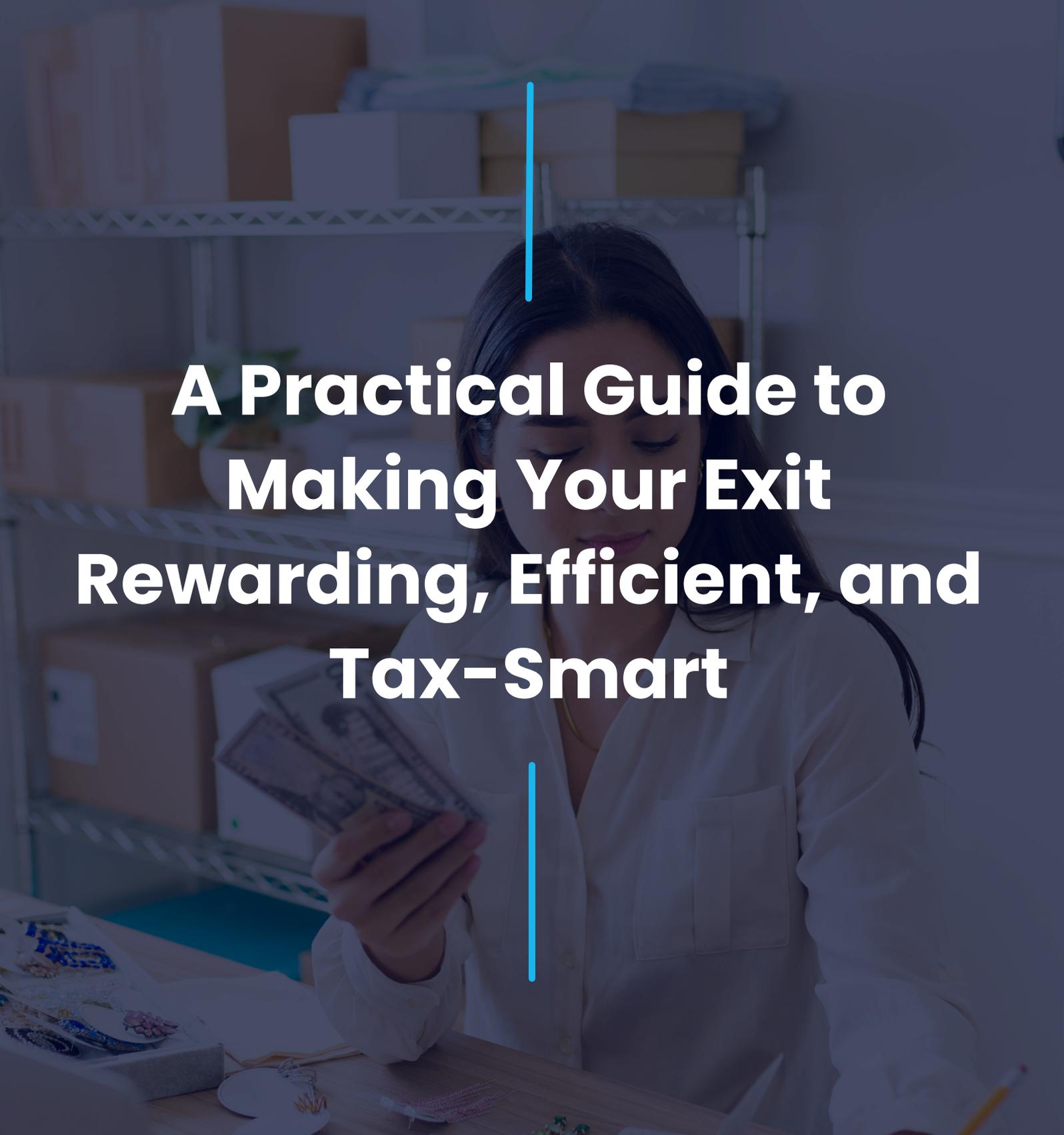


The Top 10 Things IT Business Owners Must Do Before They Sell Their Company

By:
Sean Fane

Fane
— Financial Services

A woman with long dark hair, wearing a white button-down shirt, is seated at a wooden workbench. She is holding several stacks of US dollar bills, looking down at them with a slight smile. The background shows a workshop or office environment with white metal shelving units holding various boxes and supplies. The overall lighting is soft and slightly dim, creating a professional yet approachable atmosphere. Two vertical cyan lines are positioned on either side of the main title text.

A Practical Guide to Making Your Exit Rewarding, Efficient, and Tax-Smart

Selling your IT business could be the biggest financial event of your life, but success doesn't just happen.

You will have invested huge amounts of time, emotional energy and money building a strong business.

When selling it, the difference between feeling lost and deflated or excited and elated, comes down to smart planning around clear priorities...often started years in advance of the sale itself.

This guide outlines 10 simple, strategic actions IT business owners should take in the years before selling, to get the most out of their business, financially, emotionally and practically.

About me

I'm Sean Fane, and I know your world because I've lived it.

At 27, I founded my first IT distribution company. Over the next three decades, I led software distributors and IT services businesses through rapid growth, tough downturns, acquisitions, and everything in between. From start-ups with just me in a small-serviced office, to multi-million pound exits, I have experienced the highs and the lows, and made a lot of mistakes along the way. I've walked in your shoes, as a founder, a CEO, and now as a non-executive director supporting the next generation of IT leaders.

Nowadays, after qualifying as a financial adviser, I use that experience to help IT business owners, tech entrepreneurs, and senior executives (with share options) make smarter financial decisions, both personally and professionally.

What makes my advice different?

I understand the structure of your business. I know how EMI schemes, earn-outs, M&A deals, and high-growth environments actually work, because I've been there myself.

You won't have to explain what a VAR is or how deferred tax on share options can bite.



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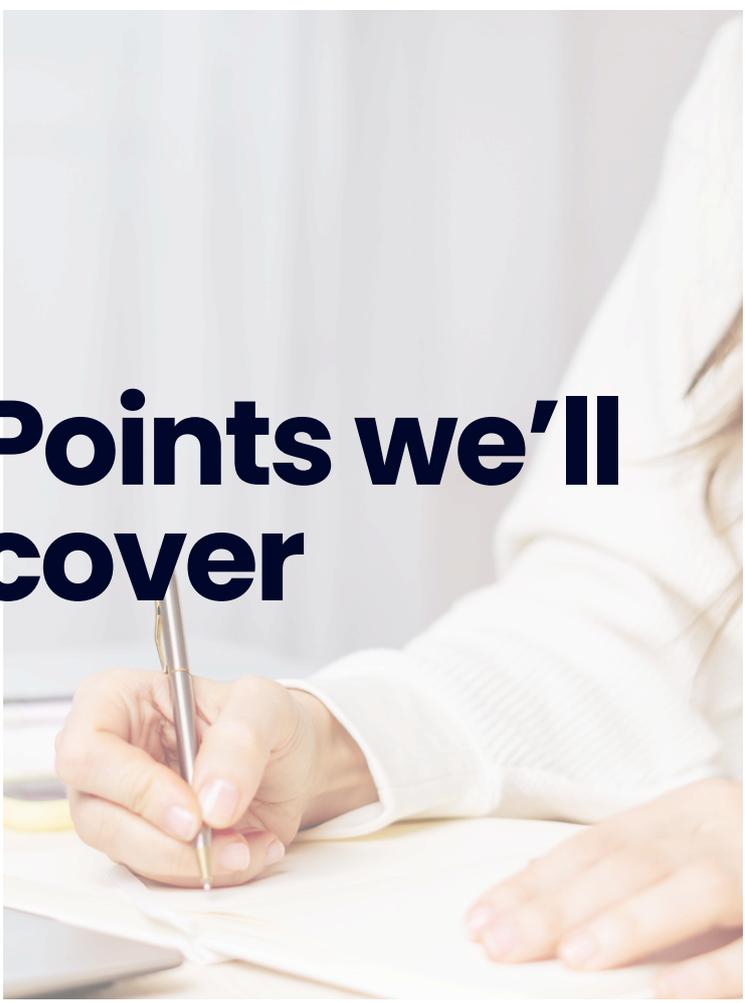


If you're looking for personal financial advice from someone who speaks your language, understands your pressures, and can guide you with clarity and confidence, then you are in the right place..



10

Points we'll cover



01 Start with the end in mind

What does your life after the business look like?

02 Get a business valuation

Highlight what drives value in your business and where the gaps are.

03 Separate 'you' from the business

If the business relies on you to function, it's harder to sell.

04 Tidy up your financials

Ensure your accounts, contracts, payroll, and tax filings are in good order.

05 Protect your IP and key assets

Establish certainty.

06 Build recurring or contracted revenue

Predictability is priceless.

07 Optimise your tax position

Both before and after the sale.

08 De-risk customer and supplier relationships

A business that isn't overly dependent on few relationships is more attractive.

09 Decide if your team stays or goes

Talent continuity is important.

10 Assemble your exit team early

Build a team of advisers who understand your market.

Ready to plan your exit?

The earlier you start preparing for your eventual sale, the more options and leverage you'll have, and the better your outcome is likely to be.

Important Disclaimer

This guide is for general information only and is not financial or tax advice. You should seek personalised advice from a qualified professional before taking any action.

Chapter one:

Start with the end in mind

What do you want your life to look like after the sale? When business owners talk about “selling-up”, the conversation often focusses on how much the business is worth, but the more important question might be:

“What do I need my business assets to do for me?”

If your business is your biggest asset, then your future lifestyle will likely depend on how, when, and for how much you exit. That’s why goal setting and planning is foundational.

Define your personal objectives

Ask yourself:

- Do you want to retire completely or semi-retire?
- Will you start another venture, become a consultant or advise the new owners as a non-executive director?
- Do you want to travel, invest, or give back to society in some way?
- Are you hoping to leave a legacy for your family?

Your answers will influence:

- When you should sell
- How much you need after tax in assets
- The type of buyer (trade sale vs private equity vs MBO) that suits you best
- Whether a lump-sum or “earn-out” is more appropriate for you

Calculate your “freedom number”

This is the amount of money you need, after fees and tax, to fund the life you want, for as long as you need it.

For example, you might be 55, and want to retire at 60.

- Estimate your personal spending needs for life.
- Estimate state and private pensions, and when you can access them.

Presuming the worst-case scenario for valuation, fees and taxes on your business sale, is there a shortfall? You need to know what value you need from your sale, not just guess.

It is useful, that many financial advisers now offer cashflow modelling, using software tools that can plan and project your incomes, outgoings and the assets you require to fund your life and goals.

Your “freedom number” should take inflation, investment returns, life expectancy, and lifestyle costs into account.

Speak with your financial adviser and ask them to show this to you.



Create a mental picture of your life post-sale

- *Where will you live?*
- *What will your typical day look like?*
- *How involved (if at all) will you be with your business or industry?*
- *What kind of pace, autonomy, and meaning do you want?*

Having this picture helps you emotionally and financially prepare for life without your business and stay motivated through the discipline of preparation.

Summary

Starting with a clear, **personal outcome** ensures you sell at the **right time**, on the **right terms**, and with the **right financial structure**.

First practical steps:

1. Schedule a session with a financial adviser to work out your freedom number and cashflow forecast.
2. Write down your post-sale goals in personal and business terms; including timeframes.
3. Discuss your ideas with your spouse or family.
4. Start tracking your business value annually against your required exit target.

Chapter two:

Get a business valuation

Most IT business owners don't really know what their business is worth, which can lead to the disappointment of an overestimate, or missing out on the true value through an underestimate.

Understanding the basis for your valuation, and the market conditions which could impact it, can provide clarity and control over your exit strategy.



Why valuation matters, years in advance

Knowing your company enterprise value, and the factors that affect it, can be useful in many ways.

- It tells you where you are versus where you need to be.
- It shows what adds or reduces value in a buyer's eyes.
- It provides a baseline to improve on.
- It guides decisions on profit extraction, staffing, contracts, and structure.



How business valuations works in IT

The value of an IT business is typically dependent upon:

1. **Profitability** – especially recurring or contracted income
2. **Owner dependence** – how reliant the business is on you
3. **Customer diversity** – spread of revenue across clients
4. **Contract quality** – long-term, auto-renewing, or recurring revenue streams
5. **Staff and systems** – transferable team and documented processes
6. **Growth potential** – market opportunity and scalability
7. **Intellectual property** – software, licenses, or proprietary tools

A common method to create a starting-point for valuation is the EBITDA-multiple method. EBITDA is an acronym for Earnings Before Interest, Tax, Depreciation and Amortisation.

The multiplier, is a factor applied to EBITDA, based on characteristics for your type of business, and the quality of your company within its category. This is often a range and is broadly accepted based on previous valuations of similar businesses. Sometimes this can be referred to as a price/earnings ratio (P/E).

If the P/E is 3 to 6 for your industry sector, and you have a high quality, stable and growing business that makes £250,000 per year EBITDA, then you might anticipate a valuation of £1.5 million (£250,000 x 6).

Quality is assessed by factoring-in the items 1 through to 7 in the list above. Other factors might reduce or increase this starting valuation.

For example....debt would be deducted to reduce the valuation, or the valuation could be increased if there was some other intrinsic value in your business in the form of intellectual property or brand equity that the buyer was willing to pay a premium for, or significant assets within the business.

In IT, a P/E might be as low as 3 or as high as 20 depending on factors like political or commercial protections, market position, market advantage, stability, scalability, customer demographic, and buyer appetite.

It is not an exact science...which is why preparation, quality information and the clarity of your vision can make an enormous difference to the valuation you achieve.



Why you need more than just a number

To add context to a valuation you will need:

- Insights: What is driving value? What is holding it back?
- Benchmarks: How do you compare to similar firms in your niche?
- Priorities: Where can you make improvements with the highest return?

A good adviser will help you form a narrative.

This narrative will be evident in your marketing proposition, your company values, your staff behaviour, your customer experience...and will be the recurring theme when demonstrating value to your prospective buyer.

Options for obtaining a valuation

Free/low-cost options

- Speak to a financial adviser who understands small business planning.
- Ask your accountant to help calculate EBITDA and highlight key valuation drivers.
- Understand the market sector you operate within, and research recent similar transactions that have taken place.
- Use online valuation calculators.



Deeper-dive options

- Engage a business broker or exit consultant for a paid, in-depth valuation.
- Commission a business review report to analyse risk, scalability, and sale-readiness.
- Consider a sale simulation exercise – what would your business look like to a buyer right now?

If you're planning to sell in the next 3 – 5 years, a paid professional valuation can be well worth the investment.



First practical steps:

1. Work with your accountant to calculate your EBITDA, including adjustments, and track it.
2. Ask a broker or adviser for a free consultation to get a realistic valuation range.
3. Identify 2 to 3 factors most limiting your value today, and plan to improve them.
4. Identify the 2 to 3 factors most contributing to your company strength, and establish if these are likely to remain important over coming years.
5. What can you do to improve on your strengths?
6. Start tracking business value like you track turnover or net profit.

Summary:

Businesses don't sell themselves, and they certainly don't always sell for what owners think they're worth.

Understanding your valuation right now, empowers you to steer your business in the direction of your ideal 'exit' - rather than leaving it to chance.

I can arrange a business valuation, so if this is of interest feel free to book a call to discuss how I can help you.

Book your free introductory call

Arrange a Zoom meeting [here](#) or alternatively call: 01202 070071 or send an email to sean@fanefinancialservices.co.uk to arrange a time to meet.

Chapter three

Separate 'you' from the business

The more dependent your business is on you, the less it is worth. Some IT business owners wear many hats - founder, strategist, lead technician, top salesperson, client relationship manager.

It is natural that in the early years, you might be involved in all aspects of your business, prior to hiring staff. Some business owners hang-on to roles and responsibilities that might otherwise be delegated to specific employees.

As your business grows, this becomes a liability, as you might be viewed as a single point of potential failure across many different areas of the company.

You become a "risk" that needs to be mitigated during the negotiations on a sale of the business, because too many aspects of the success of the company are influenced by your involvement.

This is considered sub-optimal for the buyer because:

- You may become less motivated to succeed when you don't own the business.
- You may become unwell or die.
- You may be lured into a competitors business.
- You may not have the full skill-set to take the company to the 'next level'.

The organisation prepared to offer the most for your business, might be doing so on the presumption that you will stay-on and continue to grow the business.

Alternatively, they may already have competent staff in key roles, and presume that your involvement in these areas is less necessary. They may even plan to save the salary that your business pays to you, after they acquire your company.

It may even be the case that the valuation of the business with you NOT in the company is greater than the value with you remaining.

If, for example, the buyer would like to assume the role that you perform in your company, or they already own a company in a similar sector with a full complement of competent staff, they might be prepared to pay you more for the company without you in it.

For example. Let's say the costs for your business to employ you are £120,000 per year, after which your business makes £250,000 EBITDA.

With you remaining:

EBITDA £250,000

P/E 3 to 20

Valuation Range £750,000 to £5,000,000

With you leaving:

EBITDA £250,000 + £120,000 (your costs)

= £370,000

P/E 3 to 20

Valuation £1,110,000 to £7,400,000

A buyer will feel most comfortable (and you will attract the best valuation) if they are buying a business that performs well without you. If you're still the engine that drives it, the value is tied to you, not the company and this creates risk.

Practical ways to step back strategically



Document everything

Build a business operations manual:

- Client onboarding steps
- Tech stack configurations
- Key service deliverables
- Support processes
- Finance and admin routines

Tools like Notion or Confluence make this easy to maintain and share.



Delegate real authority

Start by assigning decision-making to senior team members or trusted employees in:

- Client management
- Technical service delivery
- Project oversight
- Admin and invoicing

Then back off (gracefully) and let them run with their decisions, and accept that mistakes are part of the growth of your team.



Introduce clients to your team

Transition client relationships from you to your business.

- Use “we” not “I” in emails and conversations
- Invite team members to client calls
- Ensure support requests go to a shared helpdesk, not your inbox

This builds confidence that clients are dealing with a reliable team, not just you personally.



Build a management layer

If possible, appoint or promote a:

- General Manager
- Operations Lead
- Head of Delivery or Head of Technology

Empower them with KPIs, budgets, and decision-making authority. Secure their long-term allegiance through share options, company bonuses, milestone benefits (such as a 5 or 10 year service which might attract a cash bonus and extra holiday entitlement). This structure adds significant value for potential buyers.



Automate and systemise

Use automation tools (like Zapier, Make, HubSpot, or Active Campaign) to:

- Handle routine client communication
- Automate lead follow-up
- Standardise reporting and service delivery
- Reduce manual intervention

This helps remove you from the process without sacrificing quality, and maintaining a consistent customer experience.

Here are some classic warning signs that a business is too reliant on its owner:

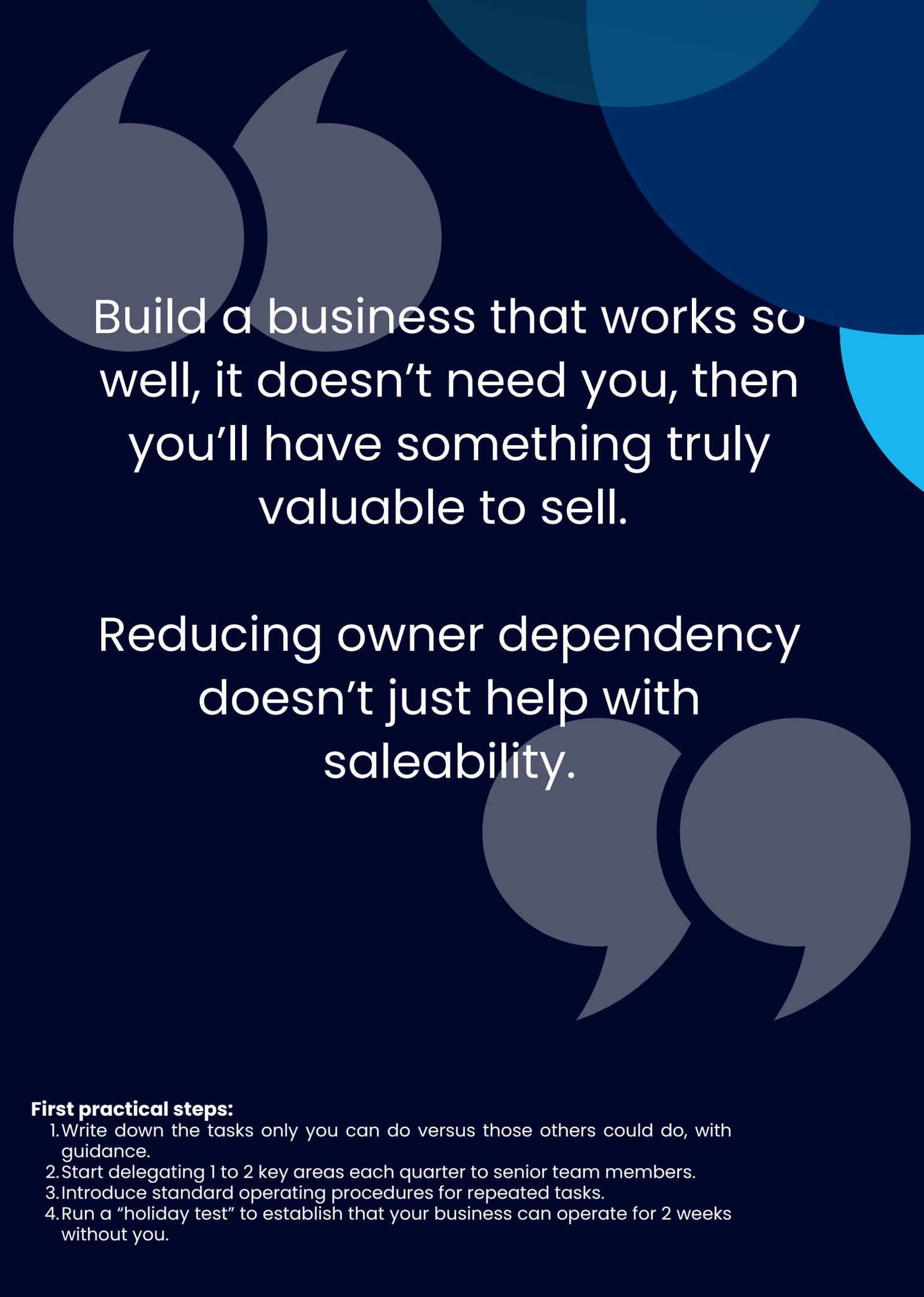
- Clients only want to deal with you
- You approve all quotes, projects, or big decisions
- Your name is on all contracts or licences
- You are the “face” of the brand and do all the networking
- No senior team or board exists, or they are not empowered to act

If this sounds familiar, it might be time to start a transition.

Buyers, whether individuals, competitors, or private equity companies, are looking for:

- Continuity without disruption
- Confidence the business can run “post-sale”
- Less risk if you walk away (especially if you're not staying on)
- Transferable goodwill (brand, processes, team)
- Scalability (which isn't possible if you are a bottleneck)

The less the business depends on you, the more confident a buyer will be, and the higher the price they'll likely pay.



Build a business that works so well, it doesn't need you, then you'll have something truly valuable to sell.

Reducing owner dependency doesn't just help with saleability.

First practical steps:

1. Write down the tasks only you can do versus those others could do, with guidance.
2. Start delegating 1 to 2 key areas each quarter to senior team members.
3. Introduce standard operating procedures for repeated tasks.
4. Run a "holiday test" to establish that your business can operate for 2 weeks without you.

Chapter four:

Tidy up your financials

Clean, consistent financial reports make you look credible and ready for acquisition.

Buyers gravitate towards businesses that are easy to understand, financially organised, and free from 'red flags'.

In contrast, a company with chaotic or opaque accounts is harder to value and feels riskier, which usually means lower offers, tougher terms, or no sale at all.

Getting your financial house in order is one of the most achievable and impactful steps you can take in the years before selling.

Why clean financials are essential

Clear, accurate, and consistent financial records:

- Demonstrate discipline and professionalism
- Build trust with buyers and their advisers
- Ensure due diligence is quicker, cheaper and less painful
- Justify your valuation and earnings multiple
- Help identify profit improvements pre-sale
- Reduce the risk of last-minute deal delays or renegotiations

Think of it as showing up to a job interview with a polished CV and references ready.



What buyers will look for

When reviewing your accounts, buyers will want to see:

- 3 to 5 years of full, reconciled financial statements
- Clear separation of business v personal expenditure (from owner and staff)

- Normalised profits (adjusted for your salary, pension, and 'one-off' items)
- Transparent balance sheets, including debt, liabilities, and assets
- Consistency between filed accounts, management reports, and tax returns
- Cash flow patterns - how money moves in and out of the business
- A predictable trajectory for the future

They will also be keen to spot issues like VAT mismatches, late payments, or odd transactions, and will use them to justify a reduced offer price, or in some cases these issues might justify a withdrawal from the process altogether.



Practical financial housekeeping tips

Clean up the chart of accounts:

- Remove unused accounts or categories
- Consolidate confusing or duplicated entries
- Set up reporting structures that match how you manage the business
- Categorise revenue streams by similarity





Strip out personal spending

Minimise or eliminate:

- Personal travel or car expenses
- Owner lifestyle perks
- Family salaries (unless they genuinely work in the business)

These will be adjusted during valuation, but too many can raise eyebrows.



Regularly reconcile and report

Move from ad-hoc bookkeeping to structured financial discipline:

- Monthly management accounts
- Quarterly performance summaries
- Cash flow forecasting and rolling budgets

This shows the business is professionally managed, not just ticking along.



Clearly identify 'add-backs' and 'one-off' items

You can often adjust profits for:

- Owner's inflated salary or drawings
- Exceptional consultancy or legal costs
- One-off marketing campaigns or investments

These 'add-backs' help normalise earnings for valuation, but they must be clearly justified and documented.



Review old liabilities and debts

Clear out:

- Aged creditors or debtors no longer relevant
- Redundant company loans
- Any unnecessary overdrafts or unused facilities

This tidies up the balance sheet and makes your business look healthier and lower risk.

Financial due diligence checklist

Ensure a pack containing this information is always available:

- Full accounts (last 3 to 5 years)
- Management accounts (last 12 to 24 months)
- Cashflow forecasts
- Tax filings (CT600s, VAT, PAYE)
- Bank statements
- Payroll reports
- Capital Expenditure history and asset registers
- A list of debts, leases, and contingent liabilities

Preparing (and being able to speak about the headline numbers) for these documents positions you as competent and in-control.

First practical steps:

1.

Ask your accountant for a financial health check - what would raise concerns to a buyer?

2.

Switch to monthly management reporting with P&L, cash flow, and KPIs.

3.

Start tracking adjusted EBITDA annually (earnings before interest, tax, depreciation, amortisation).

4.

Fix anomalies in your balance sheet or tax filings now, before buyers get involved.



Summary:

You wouldn't sell a house with broken wiring and no paperwork, so why treat your business any differently?

Strong financials give buyers confidence.

They justify your asking price, and they make the entire sale process smoother.

I provide independent appraisal of the presentation of your financials and can help you to create an information memorandum. Let's have a chat if you would like help preparing your business for an exit.

Book your free introductory call

Arrange a Zoom meeting [here](#) or alternatively call: 01202 070071 or send an email to sean@fanefinancialservices.co.uk to arrange a time to meet.

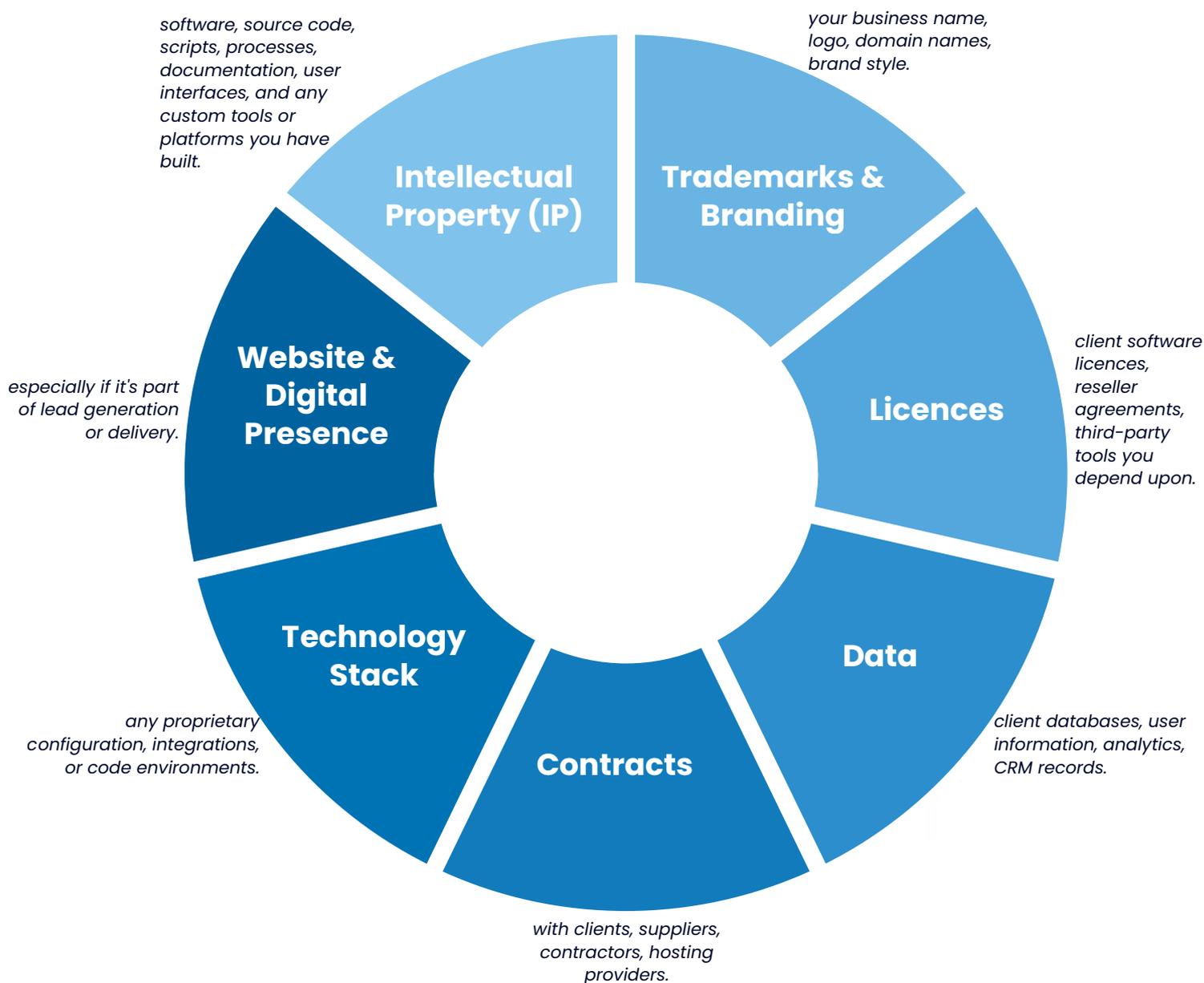
Chapter five:

Protect your IP and key assets

Your intellectual property (IP); client data, licences, and software assets, are probably a big part of what makes your business valuable.

Unless they are properly recorded, protected, and legally owned by the business (not you), a buyer may discount their value.

What counts as a “key asset” in an IT business?



If your business were to change hands tomorrow, could a new owner easily assume control of all these things, without your involvement?

How to protect and package your assets for sale

Register and assign ownership

- *Make sure all IP and domains are legally owned by your company, not individuals.*
- *Where needed, assign rights from founders, freelancers or contractors to the business through legal agreements.*
- *Use non-disclosure agreements and IP assignment clauses in all employment and freelance contracts.*

Create an IP & Asset Register

Keep a central document (ideally stored securely in the cloud) listing:

- *All domains, licences, tools, servers, and source code*
- *Where they are hosted or stored*
- *Who has access*
- *Expiry dates and renewal terms*

This makes handover smoother and adds tangible value in a buyer's eyes.

Review key contracts

Ensure your standard terms (or individual contracts) include:

- *IP ownership clauses – the product of work completed belongs to your business*
- *Confidentiality clauses – protect sensitive data and processes*
- *Non-solicitation clauses – prevent poaching of clients or staff*

If these clauses do not feature in your documents, consider asking a commercial solicitor to update them.

Ensure GDPR and data compliance

If your business handles client data:

- *Confirm you are registered with the Information Commissioners Office*
- *Have a written data protection policy*
- *Maintain appropriate client consents and processing logs*
- *Implement access controls and data retention procedures*

This protects you and reassures buyers that you're operating legally and ethically.

Review and renew licences

- *Ensure software and services you use are up-to-date and legally licensed*
- *Check that key subscriptions are business-owned, not tied to an individual*
- *Consider moving to more flexible or transferable licence models*

First practical steps:

1. *Audit your key assets and IP.*
2. *Ask your solicitor to review your contracts with staff, freelancers, and clients.*
3. *Update your employment/freelance contracts to include IP assignment and NDAs.*
4. *Document access permissions and credentials in a secure password manager.*
5. *Build a simple IP register as a spreadsheet or other shared document.*

Summary

Presume that if you can't prove you own something – you don't.

A well-documented, protected and transferable set of digital and intellectual assets adds huge credibility and value.

Chapter six:

Build recurring or contracted revenue

The more predictable the income, the more a buyer is likely to pay for it.

After all, a buyer is paying you today to buy tomorrow's revenue streams, so the more predictable tomorrow's income and costs are, the more confidence they will have to offer a reasonable price.

That's why IT businesses with recurring revenue, retainer agreements, or long-term contracts consistently attract higher valuations than those with the same financial performance derived from one-off project work.

Why recurring revenue increases your valuation

Recurring or contracted income:

- Provides stability and forecast ability
- Lowers customer acquisition risk
- Reduces reliance on constant selling
- Demonstrates client loyalty
- Makes revenue look more like an asset than a hustle

Buyers pay a premium for businesses that don't have to start from zero every month.

Types of recurring and contracted revenue in the IT industry

Here's how recurring income can appear in your business model:

Model	Description	Example of billing
Managed Service Agreement (MSA)	Ongoing support, monitoring or infrastructure management	£1,500 per month per client
Software-as-a-Service (SaaS)	Subscription for tools or platforms you have developed	£20 per user per month
Hosting & Maintenance Packages	Website, security, back-up, uptime Service Level Agreement	£5 - £500 per month per client
Support Contracts	Pre-agreed hours or ticket-based access	£1,000 per month retainer
Licence Fees	White-label or platform access	per user per month or annual fee
Consulting Retainer	Strategic input or project management on a rolling basis	£2,000 per month per client
Training & Certification Access	Membership style subscription	£99 per month per user

You don't have to transform your business overnight, but even 10 to 20% of revenue on repeatable, renewable terms can make a significant difference in how attractive your business is to buyers.

How buyers assess recurring revenue

Buyers look at more than just the size of your contracts. They also care about:

- Retention – How long clients stay with you? What's your 'churn' rate?
- Renewal Terms – Are contracts auto-renewing or re-negotiated each year?
- Dependency – Are you overly reliant on 1 or 2 large clients?
- Scalability – Can these models grow without scaling your hours/costs/staff/geographic location?
- Margin – What's the profit margin on recurring revenue streams?
- Inflation – Are they able to increase with inflation during the contract period?

How to start building recurring revenue

Productise your services

Package elements of your offering (support, reporting, updates, training) into tiers:

- Bronze / Silver / Gold monthly packages
- Fixed-scope, fixed-price deliverables
- Ongoing reporting or security checks

This makes your services repeatable, scalable, and contractable.

Convert projects into retainers

After project delivery:

- Offer a monthly package for support, updates, optimisation
- Frame it as proactive care not reactive fixing
- Position the retainer as "protecting" your client's investment

Add value through monthly check-ins, performance reports, or access to premium insights.

Include auto-renewing terms

Ensure contracts renew by default unless cancelled in writing, and include:

- long termination periods
- Annual uplift clauses (e.g. CPI + 2%)
- The ability to alter pricing in-line with costs of delivery changes
- The scope of recurring services
- This gives you (and your future buyer) visibility of strong future revenue.

Offer entry-level subscriptions

If full-service retainers are not feasible, consider low-maintenance recurring options like:

- Hosting and security maintenance
- Access to premium content, tools, or templates
- Email or marketing automation packages

Even small amounts of recurring income can smooth-out cash flow and boost exit value.

First practical steps:

1. Review past projects – which clients would benefit from an ongoing package?
2. Create a 3-tier monthly service offering for existing or new clients.
3. Update your contracts to include auto-renewal and clearer scope.
4. Track recurring vs project income separately in your financial reports.
5. Test small subscriptions or add-ons as a pilot.

Summary:

Buyers want reliable, repeatable revenue.

Whether you currently generate £5k per month or £50k per month in recurring income, every improvement in the proportion of your business that is provided in these structures, increases the value of your business.

There are some other considerations that significantly affect valuations, but they are bespoke to each business. Let's have a chat if you would like to explore this further.

Chapter seven:

Optimise your tax position

Selling your IT business might be the biggest financial transaction of your life, but without smart tax planning, you could lose a substantial proportion of your proceeds to the taxman.

What kind of tax will you pay when you sell?

When you sell shares in your limited company, you will incur Capital Gains Tax (CGT) if your company has increased in value since you were issued shares.

The amount you pay depends on:

- How the sale is structured
- Whether you qualify for Business Asset Disposal Relief (BADR)
- Your other income in the tax year
- How early and well you've planned

Higher-rate taxpayers face a 24% default rate on gains (2025/26), but planning ahead can reduce this.

Key tax relief: Business Asset Disposal Relief (BADR)

Business Relief (BADR) can reduce your CGT to just 10% on the first £1 million of gains (lifetime limit).

To qualify, you must:

- Own at least 5% of the shares
- Be an employee or officer of the company
- Have held those shares for at least 2 years
- Sell shares in a trading company (not mainly investment-holding)

If you qualify, this could mean a £140,000 saving on a £1,000,000 gain (2025/26).

By understanding the tax landscape early, you can structure the sale and your finances in a way that protects and maximises your wealth.



Practical tax optimisation strategies

Check your eligibility for Business Relief (BR)

Don't wait until you're close to a sale. If your share structure, directorship status or company activity doesn't meet the rules, you may need to restructure 2 years in advance of a sale to qualify.

Consider a family share structure

- You may be able to gift shares to a spouse or adult children before the sale to split gains across multiple BR allowances (each with a £1,000,000 cap).
- This can multiply your tax efficiency, but must be documented properly.
- Always take advice, because poorly executed transfers can backfire.



Extract profits tax-efficiently before the sale

Use the years leading up to your exit to:

- Maximise dividends up to your basic rate band
- Make company pension contributions (which reduce Corporation Tax and grow tax-free)
- Pay yourself through directors' loans or salary sacrifice where appropriate
- Invest excess profits into Business Relief-qualifying investments (or tax-efficient schemes such as VCT, EIS and SEIS) if relevant (subject to advice and risk-criteria)

The goal is to arrive at 'sale day' with a leaner, cleaner balance sheet and less exposure to tax.

Review your sale options

Not all sales are the same, and each has different tax consequences:

- Share sale (you sell your shares to a buyer): often better for you, especially with BADR
- Asset sale (the company sells its assets and you then extract funds): can trigger double taxation
- Earn-outs or deferred payments: can affect when and how gains are taxed

The structure of your deal should be designed with tax efficiency in mind, not just the top-line figure.



Consider using a trust or holding company

For more complex cases, you might:

- Set up a holding company to reinvest the proceeds and defer personal tax
- Use a family investment company to retain control while passing value on
- Explore trusts for inheritance tax and generational planning

These are specialist solutions, but some are only options if planned years in advance.

First practical steps:

1. Ask your financial adviser if you currently qualify for Business Relief.
2. Speak to your accountant about pre-sale profit extraction, pensions, dividends, or investments.
3. Review your company share structure and update your cap table.
4. Consider bringing in a tax planner or chartered tax adviser if you're within 3 to 5 years of selling.
5. Avoid taking large unnecessary dividends in the final sale year, they may tip you into higher tax brackets unnecessarily when added to the sale proceeds.

Summary:

You can lose a lot of money in tax, just by waiting too long to ask the right questions.

Tax isn't just a line on the spreadsheet; it's a core part of your exit planning.

Chapter eight

De-risk customer and supplier relationships

If your business relies too heavily on a small number of customers, suppliers, or partnerships, it introduces risk, and risk reduces value.

Even if your figures look great, a buyer may hesitate if they see fragility beneath the surface.

To maximise your sale price, work to diversify, formalise, and stabilise your key relationships well before you sell.

Why over-reliance is a "red flag" for buyers

Buyers worry about:

- Customer concentration: What happens if you lose one big client?
- Supplier risk: Can you still deliver your services if a supplier can't deliver?
- Contract quality: Are terms clear, enforceable, and transferable?
- Informal relationships: Is revenue built on handshakes or contracts?
- Key person risk: Are there relationships that are dependent on you?

A great business with poor risk management feels like a house of cards to a cautious buyer.



A buyer may hesitate if they see fragility beneath the surface.



The ideal risk profile

Customer 'spread' can be subjective, but in general try to ensure that:

- No single customer accounts for more than 20% of total revenue
- Your top five customers make up less than 50% of income
- Diverse sectors or verticals reduce exposure to industry shifts

Supplier 'spread':

- You have at least one backup or alternative for every key supplier
- SLAs and pricing agreements are documented, not informal
- No supplier has unreasonably favourable terms

Contracts must be:

- Signed, current, clear in scope, clear on fees, include termination and renewal clauses
- Protective of IP, against liability and of confidentiality
- Assignable in a sale (important if you're doing a share sale)



Practical ways to de-risk relationships

Diversify your client base

Actively look to reduce reliance on:

- One or two major clients – Maybe target some SME clients to balance enterprise exposure
- One industry vertical – Introduce new service lines to open new markets
- One region or sector – Build inbound leads from different channels

You want many customers spending modest amounts, not a few customers spending everything.

Introduce formal contracts across the board

If you're still operating on informal or outdated contracts:

- Issue updated agreements with proper terms and conditions
- Use auto-renewal clauses, minimum notice periods, and scope clarity
- Include standardised terms that help in due diligence later

Consider customer satisfaction & contract length

Retention is a key buyer metric, high 'churn' undermines value.

- Track client satisfaction
- Encourage longer-term commitments with incentives or discounts
- Offer multi-year renewals or strategic partnerships

'Sticky' revenue and clients are incredibly attractive.

Build supplier resilience

- Have written agreements for all key suppliers and contractors
- Document contact details, renewal dates, costs, and escalation processes
- Test alternatives and maintain relationships with potential backups

If you rely on a specific cloud platform, freelancer, or offshore team, make sure there's a succession or redundancy plan.

Transfer key relationships internally

Where possible, shift responsibility for major client or supplier relationships:

- Introduce account managers or a project lead
- Copy in team members to key communications
- Let clients know their primary point of contact is no longer just you

You're building confidence in your team, and in the **continuity** of operations post-sale.

First practical steps:

1. Run a customer concentration report – what percentage of revenue comes from your top 5 clients?
2. Map all supplier contracts and list critical dependencies.
3. Send out updated contracts to long-term clients where none exist.
4. Assign account management responsibilities internally and update your org chart.
5. Create a client and supplier risk matrix – rate each relationship by importance and fragility.



By **spreading risk** and formalising your **business relationships**, you'll make your company more **resilient**, more **transferable**, and ultimately **more valuable** to the right buyer.

Chapter nine

Decide if your team stays or goes

When it comes to selling your IT business, your team matters just as much as your tech.

Buyers will want to know who they are buying, and whether the team that made the business successful will be staying the course after the acquisition. It is essential to make a clear plan for your people, including leadership, developers, admin staff, and freelancers.



Why your team is central to the sale

A strong, stable, and well-incentivised team:

- Adds continuity and capability to the business post-sale
- Reduces transition risk if the owner steps away
- Demonstrates your business is not just you
- Protects client relationships and internal know-how
- Can increase the valuation and attract more buyers

One of the first questions a buyer will ask is: “Will your team stay on after the sale?” It is conceivable that you won’t know the answer to this question. Maybe your team doesn’t know that you are planning to sell the company. Maybe your team love working for you....but if you leave, they might leave too. Maybe they see you leaving as a great opportunity to step “into your shoes”.

It is always good, wherever possible, to understand the motivations, pressures, goals and aspirations of the key staff in your business. If you know they are needed by the acquiring party, then work to secure them in the business with incentives that align with their goals.



Decide early: What’s your plan?

Ask yourself:

- Do you want your current team to stay under new ownership?
- Are you open to bringing them into the deal? e.g. via a Management Buy-Out (MBO)
- Are there redundant roles post-sale you’ll need to manage?
- How do you plan to protect morale and confidentiality during the process?

There’s no right or wrong answer, just clarity and communication.

How to prepare your team for a future sale



Identify key team members (and risks)

- Who holds critical knowledge or relationships?
- Who do clients trust the most (after you)?
- Who is essential to delivery, operations, or compliance?
- Are any key people contractors or freelancers without formal agreements?
- Who would replace key staff in an emergency?
- Do you have key-man insurance to accommodate recruitment if a key staff member died?

A buyer will want these answers too, so map your “core team” and their contracts now.



Formalise contracts and agreements

Ensure your staff (especially senior people and contractors):

- Have up-to-date employment or consultancy contracts
- Have signed IP assignment, confidentiality, and non-solicitation clauses
- Are contracted through the business (not personally by you)

Contracts give buyers comfort. Informal agreements do not.



Incentivise retention

Consider:

- Loyalty bonuses: financial incentives to remain through the sale and beyond
- Share options or phantom shares: create a sense of ownership
- Long-term incentives: like profit shares, commission structures, or professional development support

People are less likely to leave mid-sale if they see a reason to stay, and feel part of the journey.



Involve management in succession planning

If you're stepping back, start transferring:

- Leadership responsibility
- Client communications
- Internal decision-making authority

Formally assign roles like Head of Ops, Head of Delivery, or CTO to build a layer of leadership that can operate independently of you. Even in small teams, a visible second-in-command makes the business look more sustainable.



Handle communication carefully

Selling a business is emotional, for you and your team.

- Don't tell staff your plans too early (uncertainty causes stress)
- Don't leave it too late either (they may feel betrayed)
- Plan an internal communication strategy for the transition phase
- Reassure staff that jobs, clients, and culture are protected, where appropriate

If key people are critical to the buyer's confidence, consider informing them privately and involving them early.

First practical steps:

1. Create a staff & contractor register with roles, contracts, and renewal dates.
2. Review and upgrade contracts for IP, confidentiality, and notice periods.
3. Identify your top 2 to 3 key people and ensure they're incentivised to stay.
4. Test-run a few weeks of reduced involvement; can your team manage?
5. Plan your ideal internal communication timeline.

Summary

You're not just selling what your business does, you're selling who makes it work.

A buyer will pay more for a business that has a competent, committed team ready to move forward without you. Investing in your people now can directly increase the price and success of your future exit.

Chapter ten

Assemble your exit team early

Selling your business is not a DIY project.

The sale of your IT business might be the biggest financial and emotional transaction of your life. It's complex, high-stakes, and full of one-time decisions you don't want to get wrong.

Just like you'd hire professionals to build a house or perform surgery, you need a trusted team of specialists to guide you through your business sale. Start building that team years before you plan to sell, not weeks.

Why you need a team (not just an accountant)

A good exit team will:

- Structure the sale to be tax-efficient and legally sound
- Help you maximise value and negotiate the best terms
- Prepare the business to stand up to due diligence
- Identify risks, liabilities, or opportunities you may not see
- Ensure your personal goals are achieved, not just financial ones

The core members of your exit team

Role	Why They Are Critical
Financial Adviser	Helps align the sale with your personal goals, calculates how much you really need, plans tax-efficient extraction of wealth
Accountant	Prepares your financials, forecasts, and tax submissions; assists with valuations, due diligence, and tax planning
Solicitor (Commercial/Corporate)	Drafts or reviews the sale agreement, manages contracts, protects IP, negotiates legal terms and warranties
Business Broker / M&A Adviser	Sources buyers, values the business, manages the marketing and negotiation process, handles deal flow
Tax Specialist	Provides detailed advice on BADR, share transfers, family tax planning, earn-outs and structuring

Sometimes these roles overlap (e.g. your accountant may cover tax advice), but you'll still want specialists who understand SME exits in the IT sector.

When to start building your team

10 years out:

- Work with a financial planner to define your post-sale lifestyle and "freedom number"
- Bring your accountant into early conversations to understand business valuation and tax structures

5 to 7 years out:

- Engage with a solicitor to review your contracts, IP, and compliance
- Build relationships with brokers or M&A advisers to understand the market

2 to 3 years out:

- Finalise the structure of your business and tidy up financials
- Actively consult your team on how and when to sell
- Prepare key documents (data room) and agree on your ideal terms

Your exit team should help you prepare

- Clean financials and adjusted profit statements
- Up-to-date contracts with clients, staff, and suppliers
- Legal documents for shareholding, IP ownership, and liabilities
- A valuation strategy and negotiation plan
- A personal tax and wealth strategy post-sale
- Getting “exit ready” means having all of this at your fingertips, not scrambling to pull it together after an offer arrives.

Questions to ask when choosing your exit team

1.

Financial Adviser:

- Are you regulated and independent?
- Do you work with business owners?
- Can you help plan for life after the sale?

2.

Accountant:

- Have you helped clients prepare for or go through a sale?
- Do you understand valuations and share sales?
- Will you work closely with my other advisers?

3.

Solicitor:

- Do you specialise in corporate/commercial law, not just general business?
- Have you worked on business sales under £5m?
- Do you offer fixed fees or packages?

4.

Broker or M&A Adviser:

- Do you have experience in the IT or digital services sector?
- What's your typical business sale size?
- How do you source buyers and structure fees?

The right team will collaborate — not compete. Look for people who communicate well and put your interests first.

First practical steps:

1. Meet with a financial adviser to define your personal post-sale goals and tax strategy.
2. Ask your accountant if they've handled company sales, and what gaps they see in your current setup.
3. Get a solicitor to review your current contracts and structure for sale-readiness.
4. Shortlist and speak with brokers who specialise in IT and service business sales.
5. Create a shared folder or data room to begin storing essential documents securely.

Summary:

“You don't need to be an expert in business sales — you need to build a team of people who are.”

With a trusted exit team in place early, you gain clarity, confidence, and control. And when the right buyer comes along, you'll be ready — and in a position of strength.



I specialise in helping IT business owners unlock the full potential of their business sale, and use their assets to live the life that want to. Lets have a chat to see if I can help you organise your personal finances and prepare your business for an exit.

Book your free introductory call

Arrange a Zoom meeting [here](#) or alternatively call: 01202 070071 or send an email to sean@fanefinancialservices.co.uk to arrange a time to meet.

THANK YOU.

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