



How to Begin Preparing Your Business For Sale

An Outline Of Specific Activities
To Get You Started

Introduction

Selling your business is a once-in-a-lifetime event (for most, at least).

Given the significance of this event and its lasting impact, it's alarming how little time and effort many business owners spend on preparing the business for sale. Yes, buyers will want to know a lot about the business' financial health with a focus on improvements that should be a top priority. But there are other factors and attributes that should be 'polished' up as well to obtain maximum value from your sale.

We know it can be hard to focus on these things when you're also trying to keep the business running, all while maintaining confidentiality. This whitepaper will introduce you to the initial areas you should evaluate when preparing your business for sale, giving you a roadmap to get started. It is NOT an exhaustive list - it is a getting-started list. And your Sunbelt business broker will be there to guide you through this process, serving as a confidant and liaison along the way.



Preparing Your Business For Sale

Step One: Legal & Tax Housekeeping

Let's start with everyone's least favorite topics!

Your goal is to eliminate, or at least minimize, red flags associated with your business. Buyers will be immediately scared off if it's apparent that the house just isn't in order. Follow this checklist to see which areas are good, and which need your attention..

- Ownership documents should be current and accurate.
- Have accountant evaluate if your current legal structure is optimal for the sale of your business.
- Make sure you have clear title to any major assets you intend to sell.
- Patents or licenses should be held by the business; check on the expiration dates.
- Correct any business licensing, regulation or compliance violations to the best extent possible.
- Get current on all taxes.
- Collect debts owed to you.
- Ensure building leases are current and assignable, and extend out at least 5 years.
- Resolve any outstanding lawsuits to the extent possible.

After addressing/correcting those that you can, the next step is outlining a strategy for how to present any remaining factors to potential buyers. Issues should be fully disclosed, but there may be opportunities to show buyers how corrective strategies or other resolution solutions have been deployed. *For example, if you do have liens that cannot be paid off in advance, outline how they will be paid off through escrow at closing.*

Step 2: Boost the Bottom Line

The stronger the business' bottom line, the more you can ask for it. There are really only two ways to improve the bottom line of a business in the short run: raise prices or cut expenses (or, do both).

If you've been on a regular schedule of executing price increases, then stick with it. If you're seeing growing revenues over the past couple of years yet diminishing profits, your price increases may not be substantial enough and/or your expenses need evaluation. So analyze if your next price increase should be targeted to a higher rate than what was done previously. A savvy buyer can spot a price hike as a hollow scheme to improve the bottom line, so be ready to explain the logic behind your approach.

On the expense side, here is a list of activities to consider:

Reassess vendors tied to your operating costs. While it's easiest to just keep using the same companies, they may no longer be the best deal.

Forego replenishing staff by attempting to allocate responsibilities among existing staff. Consider cloud sourcing or interns as a supplement if needed.

Evaluate the sales and marketing budget carefully. Determine the ROI of each tactic being used and cut non-performing investments.

Don't buy in bulk -- only buy what you will actually need for the time period preceding your business sale.

Get competitive quotes for your insurance policies.



Businesses that have more time to implement initiatives and show results should also see where top-line improvements can be made by focusing on sales and marketing. It's always best to show increasing or consistent sales when selling. Sellers nearing retirement age, or those who are burnt out in the business, often start to take the 'foot off the gas,' leading to declines in revenues, focus, and energy. When selling is on the horizon, it's time to put the 'pedal to the metal.'

Step 3: Put A Bow On It

Your perceived value of a gift is always heightened if it's well wrapped and decorated. The same holds true for your business. Perception *is* reality, so be sure the perception of your business adds to its value, not detracts from it. Looks do matter (in business sales, anyways).

When evaluating the impression your business makes, consider the following:

- Is your website professionally designed and updated?
- Are there negative online reviews regarding your company?
- Are your marketing materials current?
- Does your physical location have good curb appeal?
- Are client-facing staff adhering to customer service standards?

This is the time for spring cleaning, regardless of the actual season. Interior and exterior portions of the business should be clean and polished, and anything with your logo on it should be current and sharp. Assume that once a serious buyer signs an NDA and knows the identity of your company, they will begin evaluating how it's represented in the market.

Step 4: What Will You Do Next?

Besides just being fun to think about, outlining specifically what you want your next phase of life to look like is actually very important for selling your business. Do you want to remain where you are located, or start traveling? Are you willing to stay involved with the business for a period of time, or do you want an immediate exit? How much time might you be willing to dedicate if you're staying involved, for how long, and doing what activities? What level and type of compensation would you seek? Would you be ok with someone else now having final decision making authority?

Many businesses need the current owner to stay around for at least a little bit, to facilitate the transition. For some sizes and types of businesses, that timeframe could be extended to a couple of years. Complex businesses that are heavily relationship-dependent fall into this category, as well as those businesses that are more speculative in nature. Typically Independent Contractor Agreements, Non Compete Agreements and Earnouts are part of these scenarios, and they must be considered as part of the overall deal structuring.

Conclusion

You and your business broker need to work as a team to make your business look as good as possible, to get the highest sales price possible. Go section by section through your business, beginning with those elements outlined here, making a list of what needs work. Once you have the list, prioritize it then go to action. Your broker will offer objective insights along the way on how a buyer will be viewing things. While it will be hard work, it will pay off – literally.

Once you completed this getting started list, your broker will advise you of other areas that may need attention. The sooner you start ahead of your target sell-by date, the more improvements you can make, and the higher your closing price can be.

For further reading on related subject matter, consider downloading our 5 Selling Mistakes To Avoid whitepaper as well.



For help preparing your business for sale and finding the right buyer, the experts at Sunbelt Business Brokers can help. With over 35 years experience in buying and selling businesses, we can help you find the right buyer for you.

Contact us today for a free consultation at
www.sunbeltnetwork.com/locations/
