



Preparing your business for sale

It will likely be the biggest financial deal you'll ever make, so it's vitally important to be sure you are properly prepared when selling your business. Taking the proper steps to get your business ready for sale can significantly improve the likelihood of a successful sale.

For many business owners, the prospect of selling the business after years of pouring every effort into growing the company can be emotional and difficult. That's a major reason why it pays to structure a plan to prepare for the sale. Remember, it's crucial to use the same care and patience that is used to grow and sustain a business.

What important steps are needed to prepare your company for sale?

- ❖ **Determine the company's value.** There are a lot of formulas for valuing a business. Buyers may base a purchase offer at least in part on the value of the assets in a business, the cash flow, gross revenues, annual growth and other factors. The sale price generally depends on profits and, in most cases, the sale price is some multiple of the businesses profit. Valuations can be obtained from a number of sources including a certified business intermediary. Business valuation is not an exact science and the final value of your business is ultimately determined by the match between the buyer and the seller.
- ❖ **Be sure your records are up to date.** When a potential buyer does the due diligence accurate and complete records are a key piece of the transaction. The better records you have the more you reduce doubt in the overall quality of the business information. You want all of your hard work to pay off in the sale, so be sure you have current, detailed records that provide an accurate assessment of the company's financial position and future projections. If your business is large enough a financial audit may be appropriate.
- ❖ **Remember your staff is an important asset.** The management team and other key employees are part of the overall business value. Loss of key employees during a sale can kill the deal. Key employees may be crucial to the ongoing success of the company. Assess which employees are prepared to stay with the company through the transition. If necessary incentivize them to stay during the transition.
- ❖ **Assemble a team of experts.** No matter how skilled you are, the sale of a business is something you should think about carefully before you try to handle on your own. Qualified business intermediaries handle these transactions frequently and can take a tremendous amount of the load off your shoulders so



you can spend time running the business when it's needed most. Keep in mind that the sales performance of the company during the time it's on the market is crucial, so working with a qualified business intermediary to sell your business will allow you to focus on the ongoing operation of the company. Business intermediaries know the ins and outs of Mergers & Acquisitions and take pride in what they do.

Always remember that selling a business is a one-time event. Preparation is a key to a successful sale. Be sure you understand the process involved.¹

Brought to you by Andrew Cross, CBI
Principal, Cross Northwest, Inc.

¹ *The **International Business Brokers Association**® is the largest international, non-profit association operating exclusively for the benefit of people and firms engaged in the various aspects of a business brokerage and mergers and acquisitions. IBBA® has 1,950 members worldwide, with corporate headquarters in Chicago, Illinois.*

©2008 International Business Brokers Association® (IBBA®) all rights reserved
Permission to reuse any or all of this material should be directed to the IBBA at 888-686-4442 and is restricted to IBBA members.