

## WHY PREPARING YOUR BUSINESS FOR SALE IS IMPORTANT

The decision to sell your business is a big life choice. After all, you have put many years of work into grooming your business into what it is now, and you want to be sure you get the most return on investment, both in time and money, for your company. Having a solid exit strategy in place is essential. The idea of retirement and life after sale has probably started to mull over in your mind. **You need to know what you expect to gain from the sale of your business, so you can make that end goal a reality.**

Business owners often fail to see the importance of preparing for this venture in advance of their decision to retire or step down from the business. A business plan includes not only planning for your growth, but also planning for what you will do when it's time to leave, and how you will get the most for all the hard work and time you have put into your company. Following are reasons why it is important to prepare ahead of time for the sale of your business.

### **BUYERS KNOW WHAT THEY WANT**

Just as you are a knowledgeable consumer, the entity investing in your business will also be very knowledgeable and know exactly what they are looking for, and you need to make sure you provide a company that will be what buyers are looking to acquire. It isn't enough to simply be profitable. Your business needs to be organized and in a position for positive growth.

**FINANCIALS:** Your financials should be clearly tracked and easy to follow for potential acquirers.

Your business should be efficient, have a clean balance sheet, low expense requirements, and solid cash flows in place. Additionally, small businesses tend to organize their income statements to minimize the company's taxable net income. This might be beneficial for the owner of the business, but it doesn't illustrate a clear view of the company's net income to potential acquirers. For this reason, all unnecessary expenses that are not essential to the business operations should be defined and eliminated, so potential acquirers can have a clear understanding of your business's revenue. In addition to the income statement, potential buyers will also want to see a clean balance sheet showing only the necessary company assets, as acquirers will not want to pay for excess inventory. Lastly, as a business owner, you should have a clear understanding of your company's working capital because this will be a point of negotiation with the buyer during the transaction. To properly prepare your financials for sale, you may want to consider outsourcing an accounting firm.

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**OPERATIONS:** Your business needs to have a solid growth plan in place. Operations are essential to any acquirer, and if a business owner hasn't taken the time to review the operations of the business and to identify the areas in need of improvement accordingly, he or she could be making an oversight that could negatively affect the overall value of the business. An owner needs to take the time to review their clientele. Ideally, a business has a wide customer base with little customer concentration. When a company has the majority of its revenue coming from a couple key clients, it takes more effort to show and guarantee the continued loyalty of those clients, and that can make the marketability of the business tougher. Management is another operational key area of interest. A business needs to have a strong management structure that can continue to run smoothly when the owner is no longer a part of the business. The acquirer needs to know that your absence will not negatively affect the business operations in its continued future. That being said, continued revenue growth back by a solid business plan is desired as well. An owner should be able to show historical, current, and future-projected growth for the company. A buyer wants a well-oiled machine that will continue to work efficiently.

**STAND OUT:** In the coming years, the M&A market is expected to be somewhat saturated with millions of business owners reaching retirement age. As such, it is imperative to make sure your business stands out amongst others in the same sector. When prepping your business for sale, you need to be abreast of what your competitors are doing, and you need to make sure your business is groomed to be more attractive in a purchase. Find out which companies are performing above yours and which companies are below. Become familiar with their practices and identify holes in their operations and your own, so you can fill the gap and come out on top. When the market becomes saturated, buyers will have many choices; you want to be sure that your business is their first choice in an acquisition.

When considering the sale of your business, you also need to consider the qualifications that buyers are looking for, and you need to implement those qualities into your own business, so you can gain the most value for your company. It is best if these preparations are built in to the business from day one, but if they weren't, it's never too late to start.