

10 Things You Must Know Before Selling Your Business

by David Mattocks

Thinking of selling your business? Before meeting with potential buyers and talking facts, figures, terms, conditions and such like, you will be well advised to carefully consider a number of key areas first, such as timing, true verifiable market value, tax implications and so on.

Here are 10 things you need to know before even thinking of selling your business...

1. The TRUE Value

Most small businesses keep profits to a minimum in order to reduce taxes. This means your financial statements are not likely to reflect the true earning capability of your business and, in turn, its real value. It's a wise move, at the very beginning of the sales process, to seek an independent valuation of your business from a professional business appraiser, or suitably qualified business broker, to avoid the costly and frustrating mistake of selling at below market value.

2. Vital Information

Prospective buyers rely heavily on the information you give them and see the quality of such information as a key indicator of how well the business has been managed. At a minimum they'll need to see properly prepared and reliable financial statements and records. Most will also like to see projected budgets for the next 3-5 years, backed-up and verified by reliable sources of research and considered analysis.

3. The Best Advice

Businesses rarely sell for a lump sum, up-front payment of cash. Instead, terms such as 'seller finance' are common and can

have complex tax and legal implications. It's a good idea to get timely, professional advice before starting the sales process and to tap into this regularly during the course of the sale - particularly prior to key decision stages as you progress.

4. Timing is Key

Don't wait until it's too late to start the selling process. Selecting a time to begin which is right for you and your future plans - whilst also being appropriate and sensible in the prevailing market conditions - will give you the necessary time to attract the right buyer. Bear in mind, it can take up to a year to sell your business!

5. Phantom Formula

There is no single calculation such as one multiple, or one ratio, or one formula that suits every type or size of business. Be wary of so-called 'rules of thumb'. These can shoot you up a creek with no canoe, let alone the paddles! Be mindful that your business is truly unique and as such requires a tailored review and in-depth, bespoke analysis to determine its true market value. You will also need to understand the viewpoint and motives of prospective buyers and the price they are willing to pay.

6. Competing Bids

Whilst negotiating the sale with only one potential purchaser may simplify the process, generating interest and offers from the several prospects knocking at your door, will undoubtedly drive up the final selling price and present you with a range of alternative deal structures to consider. Potential buyers in your market will often be identifiable from the outset. Take time to ensure these pre-selected prospects are

contacted early on. In strict confidence of course.

7. Understanding Buyers

Each potential buyer will tend to be focused more on differing functions in your business such as, future cash flow streams, growth potential, return on investment and synergy. Knowing these key factors now, will allow you to provide information tailored to each individual buyer's needs and their particular area of interest. So at your first meeting quickly identify what is important to them specifically.

8. The Support Team

Selling the business you founded and grown over many years can be an emotional and complex exercise, fraught with disappointments and littered with legal potholes. It will be in your best interests to engage a suitably qualified professional team of experts to represent you in all areas and at all stages of the sales process. Peace of mind allows you to sleep better at night.

9. Considering Offers

As the seller, you will be considering purchase offers from every angle, ranging from personal views such as a requirement for your continued involvement in the business, to financial options such as payment structures and ongoing financial involvement. In the final analysis, the sale must be well suited to you and your personal plans for the future.

10. Crossing the T's and...

Every seller of a business understandably wants the sales process to be completed, signed, sealed and delivered as soon as possible. However, selling a business is one of the largest financial transactions anyone can ever undertake in their lifetime – so make absolutely sure the whole process from start to finish is professionally conducted, meticulously monitored and thoroughly documented, even if this means the sale takes a little longer to complete. Your patience will be well rewarded.

And finally... **Good Luck!**

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