

# PREPARING A COMPANY FOR SALE

In a perfect world your business would be well positioned to maximize its value at the time of sale. Unfortunately, most privately held businesses have not given much thought to what it takes to sell nor have they given any particular consideration to the factors that will impact the desirability of their companies.

Unlocking the inherent value in a company requires a business owner to engage in a critical and objective assessment of his or her company. Because of the complex nature of this assessment, the process of positioning a company for sale needs to begin before an owner is prepared to sell.

This process involves asking yourself and trusted advisors a series of pointed questions. In order to come up with the right answers –when acted upon will enable you to unlock and optimize the value of your business –you must take a good hard look at your enterprise; first from an external viewpoint, and then look deep inside your business.

We offer a step-by-step process to help you prepare your business for an eventual sale or transfer. It's an introspective and, at times, a painful process, but one that when done properly, will make the sale/transfer process easier than if it hadn't been undertaken.

## STEP 1–The External Perspective

The first step is to look at your business from an external perspective and ask yourself the following questions:

- ▶ What is the future market potential for my business?
- ▶ Is the market growing, stagnant, or declining?
- ▶ Are there unmined niches of potential?
- ▶ What are my competitors doing?
- ▶ Am I operating in a Blue Ocean – an uncontested market space offering unique value to my customers – or am I competing in a Red Ocean –fighting for business in an crowded market space where competitors are all offering essentially the same things?
- ▶ If I'm in a Red Ocean, what do I need to do to dive into a Blue Ocean?

Objective answers to these questions will help you to see what potential buyers will be looking for. Remember, buyers are interested in the future, not the past. They want to know about the opportunity for growth and the potential for profit down the road, regardless of how successful you've been in the past.

### Next look at your brand:

- ▶ Do I have a brand?
- ▶ Is it exciting and compelling to the audience that's going to fuel the future growth of the company?
- ▶ Is it well known throughout my desired target market?
- ▶ Is it differentiated?
- ▶ Do I have an effective set of marketing tool, such as an up-to-date, easy-to-find, and useful website?

Brand equity is **important** to buyers. The stronger your brand and the more familiar your name is among your desired target market, the less your buyer will need to invest in those activities.

## Look at the physical nature of your business:

- ▶ Will my business show well?
- ▶ Will potential buyers (and their financiers) be impressed when they walk through the door or will they think, “This will be expensive to upgrade”?
- ▶ Examine your numbers:
- ▶ How do my financials look –are they transparent?
- ▶ Do I have prepared financial statements to back up my description of revenue, expenses, cash flow, EBITA, etc.?

## STEP 2—The Internal Perspective

Now it's time to look inside. Remember for a deal to really work, it's has to work for everyone, and any serious (and therefore truly eligible) buyer will be prepared to conduct thorough due diligence. Therefore, you're going to want to look under the hood to make sure there will be no surprises.

Look at your business from an internal perspective, and ask yourself the following questions:

- ▶ Do I have a dream team of smart, skilled and motivated employees who are all working together effectively for a common goal?
- ▶ Or are there some staffing challenges that should be rectified now?
- ▶ We talked about financials in the external perspective, but now it's time to dig really deep. Are there any issues? If so, you need to either fix or disclose them.
- ▶ Do I have a strategic plan that is a blue print for success?
- ▶ Do I have supporting process to execute that plan? And do I have tracking and reporting mechanisms that provide a constant view of what's really getting done and how the business is performing.
- ▶ Are all leases and contracts up to date and in compliance?
- ▶ If my industry is regulated, am I in compliance overall and in good standing with my regulatory bodies?

## STEP 3—Identify the Buyer

Once you have a good idea of where these questions and objective answers are taking you, you'll want to begin planning to whom you'll market the business.

- ▶ What type of buyer would be interested in buying my business, seeing the full value potential, and why?
- ▶ How will I reach that buyer and with what media and message?

## STEP 4—Create a Plan

Asking and answering all of these questions will give you the data you need to identify the action steps necessary to make your business attractive to the buyer you're looking for.

This should be a written plan with objectives, action steps, owners and timelines – or else it may never happen, and after pouring your heart and soul into a business for umpteen years, you might not realize the final payback for all of your hard work. Don't let that happen.