

GETTING YOUR BUSINESS READY TO SELL

There comes a time in your life as a business owner when you will be ready to get out. Maybe you're nearing retirement age or you're simply tired of dealing with all the challenges a small business owner faces on a daily basis. No matter what stage your business is in, you should take some time to think about what your exit strategy might look like. If you are considering selling your business, it needs to be in great shape so you can attract the right buyers and attain the highest selling price.

Here are five tips to get your business in good shape to sell:

1. Plan for your exit. What are your reasons for selling your business?

- Develop your goals
- Create a timeline – when do you want to be done?
- Don't wait until you can no longer manage the day to day operations
- Sellers under distressed conditions will not get the best value for the business they have taken their entire lives to create

2. Get your books in order

- If you can afford it, have a professional audit done
- 3-5 years of financials that show a profitable business is desired
- Make sure all taxes are paid
- Collect on past debts
- Avoid any "off the books" cash
- Keep your records up to date – don't let things get behind!

3. Think about the "curb appeal" of your business

- You want to provide the best first impression to potential buyers
- A business that looks neglected and tired won't be appealing to buyers
- Spruce up your building by doing any need repairs or improvements
- Make sure your website, social media, and other advertising channels are current and projecting a strong business brand

4. Determine what you are selling

- Selling a business not only consists of the physical inventory & equipment but also your reputation and customer base
- Will you also sell the building, other property, vehicles?
- Do you have intellectual property, licenses or issued/pending patents?

5. Know what your business is worth

- Consider the current market and economic trends
- Research what other similar business have recently sold for
- Get a formal valuation from a professional appraiser
- Set a price too low and you may lose out on additional profit
- Set the price too high and you could scare buyers away

Selling a business is a lengthy process that requires careful preparation before you advertise the sale. If you take the time and do your homework, you will ensure a successful start to finding the perfect buyer ending in a profitable sales transaction.

10 Questions to ask Before Selling Your Business

In every business owner's life, there will come a time when they need to step back. It may be due to a change in lifestyle, creeping closer to retirement age, a change in the market, or plummeting profits, or just feeling like it's time to call it a day. If you're thinking of selling a business, there are a few factors to consider.

Before you sell, ask yourself the following questions:

1. When is the right time to sell?

Most business owners know when their best sales periods are. Market conditions for sectors ebb and flow. Consider riding out a downturn for more money in the long run. Use this knowledge to pinpoint the best time to sell. Educate yourself on how easy it is to obtain financing, as the availability of business loans will affect the available pool of buyers.

2. Is the business in its best shape?

If possible, give yourself 2-3 years preparation to ensure that your business looks and sounds its best to buyers. If there are areas that need restorative action, work to improve them now. Gather 2-3 years for balance sheets that reflect growth and profit. Make aesthetic changes – like remodeling a physical location or updating a website or social media channels. Try to settle as many outstanding debts as possible. Businesses that are in good health will be more attractive to buyers.

3. Is your staff performing at their best?

Your staff is the frontline and many times the face of your company and their performance will be noted by potential buyers during the due diligence process. Buyers don't want to inherit deadbeat employees. Make them feel valued, both to increase their productivity and soften the emotional blow when a sale is eventually made.

4. Do you know the correct value of your business?

As the seller of the business, your interests will be different than those of the buyer – you will be looking to make as much money as possible and they will be looking to spend as little as possible. Valuation can vary depending on a variety of things so make sure that you assess your market, the economic trends and other similar businesses. Overvaluing or undervaluing a business can negatively affect the sales process. Prepare a list of your creditors and debtors and try to establish values for those unique characteristics of your business that make it worth buying.

5. Who will sell your business?

From business brokers to accountants, lawyers, and real estate professionals, consider which team of experts can best assist you to sell your business. In addition to helping you find the all-important buyer, this team will make sure the business is financially sound, help negotiate a deal, prepare the legal documentation and make the sale tax-efficient.

6. What will the key negotiation points be?

Great negotiators never lie, they provide solid answers with legitimate benefits. Consider what areas of discussion might be with a buyer and prepare a set of honest answers. Is real estate a part of the sale, would you consider selling on contract? Try to anticipate possible scenarios and what outcomes you would consider to make a deal happen.

7. How is your salesmanship?

As the owner of your business, you will know the pros and cons of running your business better than anyone. While you must be truthful about your business, you should also be the biggest cheerleader for what you do well. Show potential buyers your track record and speak with candor about the best parts of your business.

8. Are you open to selling over the long-term?

One of the biggest concerns for a buyer is obtaining all the financing needed to make a business purchase. Consider whether you would agree to a fixed amount up-front from the buyer or if you could be paid in installments. Seller financing is becoming increasingly popular and can offer tax benefits as well. It also opens up your market to those without immediate access to the total sale price.

9. Will you stay on after the business has been sold?

Your skills as the existing owner are an asset which you could leverage in upping the sale price. Your buyer may have finances and desire but not the expertise to run your small business as well as you have done. Would you be willing to stay on after the sale to train up the buyer and new staff?

10. What do you want to do after you have sold the business?

Even if you have no idea yet, ponder your interests outside of work and consider how the proceeds of the sale will help you fulfill your personal goals. Traveling or spending more time with family may be high on the list. Selling a business takes a considerable amount of preparation and isn't always quick and easy. By taking the time now to consider these questions you are closer to a successful transition.

For more information contact:

Robin Bostrom, Business Specialist

robin.bostrom@iowaEDA.com

515.348-6176

