

# First Step in a Business Sale is the Prep Work

## A 10-point plan to assist in planning the sale of your business



**W**hile hundreds of components go into the successful sale of any business, perhaps the biggest challenge for any owner is not technical, but emotional. “Your business is bigger than yourself, it’s your baby, and although you want to see it prosper long after you’re gone, it’s incredibly tough to let it go,” says Amanda Reale, Certified Business Intermediary and Business Broker for Pacific M&A and Business Brokers Ltd.

That’s one reason why so many people put off preparing for a sale until well down the road and, at times, when it’s too late. It’s also why surmounting this emotional hurdle as soon as possible will make the seller better positioned to exit smoothly, as well as obtain maximum value for the company.

Pacific M&A President Pino Bacinello says it’s never too early to begin planning one’s exit. “All business owners exit at some point or other, and it’s either a voluntary exit on the owner’s terms, or involuntary, which can be devastating.”

So how do you prepare? Bacinello and Reale offer 10 points to consider:

**1. Retain a professional:** Retaining a firm such as Pacific M&A can help provide clarity about what needs to be done and in what order. “Ideally this should be undertaken several years before your target exit gate,” says Reale.

**2. Optimize your performance:** “This can

include multiple activities, from staffing and inventory to systems and processes in order to maximize efficiencies,” says Bacinello.

**3. Physical cleanup:** Not unlike the sale of a house where the maximum price is often achieved through staging, the same applies to your business, and a buyer’s first impression is critical.

**4. Fiscal cleanup:** Work with an accountant to remove non-business assets and expenses and clean up the books. “A prospective buyer’s confidence will diminish if they find issues,” says Bacinello. “Also, working capital is the lifeblood of any business and buyers expect a normal level of it upon transfer of ownership, so you have to understand it and learn to manage it.”

**5. Systems and processes:** Documented systems and processes should be in place to make it easy for the new operator to step into your role.

**6. Make yourself disposable:** Remove yourself from daily operations and engage your employees in processes such as cross-training so your business is less reliant on any one individual and specifically you as the owner.

**7. Reduce customer risk:** If any single customer represents more than 10 percent of your total revenue, this is often a risk to buyers. The answer may be to expand your customer base.

**8. Written contracts:** Having contracts in place, a high level of repeat customers, and a committed pipeline will give buyers confidence because this indicates that your business will continue without disruption.

**9. Know your valuation:** Have an independent third-party like Pacific M&A provide a formal valuation that includes historical data and future income potentials, market comparisons, cost methodologies and value drivers. This will demonstrate credibility to a buyer. In addition, this analysis will provide the owner with a benchmark of performance and is an excellent tool for identifying areas of inefficiency to be targeted for improvement.

**10. Create the right culture:** Develop a culture among the staff that can be clearly identified and described to a potential buyer.

Finally, “Plan for your post-sale future,” says Reale. “This will help make the transition easier.”

Bacinello and Reale both agree that the one thing to avoid is negotiating a sale without professional help. “That can be an agonizing process, and entrepreneurs are simply not trained to do it,” says Bacinello. “So find a qualified advisor such as Pacific M&A that can help determine if a company should remain independent, merge or liquidate. This, in turn, dictates to whom you would sell and sets the correct stage for the steps to follow.” ■