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How to prepare to sell your business for the best possible price

Katrina Loftin, 3/24/2008

It will likely be the biggest financial deal you'll ever make, so it's vitally important to be sure you are properly prepared when selling your business. Taking the proper steps to get your business ready for sale can significantly improve the likelihood of a successful sale.

For many business owners, the prospect of selling the business after years of pouring every effort into growing the company can be emotional and difficult. That's a major reason why it pays to structure a plan to prepare for the sale. Remember, it's crucial to use the same care and patience that is used to grow and sustain a business. What important steps are needed to prepare your company for sale?

- Determine the company's actual worth. There are a lot of formulas for valuing a business. Buyers may base a purchase offer at least in part on the value of the assets in a business, the cash flow, gross revenues, annual growth and other factors. The sale price generally depends on profits and, in most cases, the sale price is some multiple of the business's profit. Valuations should be obtained by someone that actually sells businesses. A lot of valuable time and a substantial amount of money can be lost obtaining a valuation from someone who has never sold a business. Also be aware of upfront fees. A professional business intermediary or business broker engaged in selling businesses will more than likely provide an informal valuation of your business at no cost or obligation.
- Be sure your records are up to date. You want all of your hard work to pay off in the sale, so be sure you have current, detailed records that provide an true assessment of the company's financial position.
- Remember your staff is an important asset. The loss of key employees during a sale can kill the deal. Key employees may be crucial to the ongoing success of the company. Assess which employees are prepared to stay with the company through the transition but be careful not to inform them of a possible sale.
- Make sure management is in place. Do you have a manager? If not, you may want to consider hiring one or designating some responsibilities to other employees. Buyers need the reassurance that the business will still operate without the owner.
- Assemble a team of experts. No matter how independent you are, the sale of a business isn't something to handle on your own. A business intermediary will take a substantial load off your shoulders so you can spend time running the business when it's needed most. Keep in mind that the sales performance of the company during the time it's on the market is crucial, so working with a qualified business intermediary to sell your business will allow you to focus on the ongoing operation of the company. A competent business intermediary will confidentially market your business, and will know the ins and outs of mergers and acquisitions.

Selling a business is usually a one-time event. You may only have one chance to get it right. Preparation is a key to a successful sale. Be sure you understand the process involved before you plan to sell.

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