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▶ **Preparing A Small Business For Sale**



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Over 6,500 businesses sold!

BRE #01160661



Preparing a Small Business for Sale

By Greg Carpenter



California Association of Business Brokers



Business Team Broker Associate
BRE # 01242004

Businesses will sell for higher prices if owners take a few actions to prepare for the sale.

Financial records must be current, accurate and able to pass an audit by the buyer's accountant. Your broker will recast the financials to show the true earning power of the business, while most bankers and appraisers will ignore personal expenses that are written off as business expenses. Poor business records are the #1 cause of failed business sales.

Get an appraisal of the business. Unrealistic price expectations will cause lack of interest from buyers. Some sellers say: "Just tell them to make an offer". This won't work if you have an asking price that is out of range of the market because buyers will not take you seriously. They will wait until you reduce your asking price. Some businesses can be on the market for years until the owner finally realizes that his asking price is unrealistic.

Build value to get a higher price by improving sales and cutting costs. Most business owners know what to do but they get comfortable and lack motivation. They'd rather just have a nice life. Since small businesses typically sell for 2 to 3 times earnings it means that every dollar added to the bottom line will add \$2 or \$3 to the price. This needs to be done over a year or two and be shown in the tax returns to have merit with bankers for financing and with buyers who will pay the



Selected Available Opportunities

230 Available

Industry	Revenue
Transportation	\$10,322 M
Electrical Contracting	\$4,663 M
Food Distribution	\$5,814 M
Farm Produce, Wholesale	\$4,762 M
Meat Wholesaler	\$25,336 M
Sports Bar & Brewery	\$3,121 M
Audio Equipment Manufacturing	\$4,049 M
Commercial Vehicle & Truck Repair	\$3,482 M
Print Company	3,466 M



Recently Sold

Contact us for details

Industry	Revenue
Grocery Wholesaler	\$ 10.1 M
Electronic Manufacturing Service	\$ 8.6 M
Manufacturing Company	\$ 2.8 M
Catering	\$ 2.4 M
Collection Agency	\$ 1.7 M
Engineering & Consulting Service	\$ 1.7 M

higher price.

Reducing risk will improve the price by increasing the earnings multiple. The most common obvious risk is having two or three customers that account for most of the annual sales. Buyers and bankers will shy away from businesses with this risk because losing just one of those customers might put the buyer in a position where he or she can't make the payments on the purchase financing.

Failure to resolve any legal issues such as lawsuits, back taxes, disputes with vendors or customers and threatened litigation will stop a sale. Corporate documents should be up to date and in order, including annual meeting minutes and the Statement of Domestic Corporation filed with the Secretary of State.

What you keep from the sale proceeds is more important than the gross sale amount, so you should work with your tax advisor and broker before the sale to plan the best tax strategy and allocation of the purchase price. At least one to two years prior to sale, the business owner should assemble his transaction team led by the business broker and including his accountant, possibly a transaction CPA specialist, corporate transaction attorney, and possibly a wealth advisor or financial planner, or insurance broker. Other possible advisors might include business growth consultants, human resource advisors, a counseling psychologist, marriage counselor, estate attorney, tax attorney, machinery and equipment appraisers, IT consultants, expense reduction consultants, real estate broker, sales consultants and many others.

The best advice for business owners

Landscape Material Manufacturer \$ 1.1 M

Music School \$ 781 K



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Monterey Bay

when preparing to sell their businesses is
"don't try to do it alone!"

Author Bio

Greg Carpenter is a senior business transaction intermediary and Managing Director of BTI Group. Greg has completed over 350 business sales in his many years of practice. A believer in continuing education, Greg is a Merger & Acquisition Master Intermediary, a Certified Merger & Acquisition Professional and a Fellow of the M&A Source, one of their highest honors based on years of professional service and contributions to the organization.

Greg is a member of the International Business Brokers Association where he has held the Certified Business Intermediary credential, and the California Association of Business Brokers, where he has held the Certified Business Broker credential. Greg teaches business broker training classes for the Northern California offices of BTI Group.

Greg graduated from Santa Clara University with a Master in Business Administration degree and from the University of LaVerne with a Bachelor's degree in Business Administration. Greg worked in high tech as Product Marketing Manager, National Sales Manager, Project Manager and Materials Manager after serving in the United States Air Force in Accounting & Finance and Budget.

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Marion Gloege, Editor



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