



Ten Steps Small Business Owners Should Take to Prepare Their Business for Sale

1. Do the “take a week off” test

If you take a week off (with no business emails or phone calls allowed), what happens to your business? Does it fall apart? If not, great, you have a saleable business. If you can't imagine taking a day, let alone a week, off then it's time to make some changes if you want to sell your business. There are two types of problems here; one is fixable and the other is less easily fixable. The fixable problem is when your role in your business you could easily be replaced by someone, say, a project manager. You will need to hire and train that someone to do your job and also pay them and their salary needs to be deducted from the profit. All this should be done at least a year before you start trying to sell your business. However, if YOU are central to your business, in other words, your clients want and expect to deal only with YOU, then you don't have a business, you have a job. For more info, read the [eMyth Revisited](#) by Michael Gerber.

2. Go for growth and revenues

Ideally you will start prepping your business for sale at least 2-3 years ahead of when you want to sell it. During that time, you will want to minimize expenses and also show an increase in revenues from year to year. Buyers love to see a business that is growing. A business that is declining in revenue is much less desirable, even if it is bringing in a profit.

3. Figure out what your business is worth

A professional valuation will give you a basis for gauging buyer offers and will give you an idea of what you can expect to net from the sale. A business valuation will also tell you your business's market position, financial situation, strengths and weaknesses. Valuations can be obtained from various sources, ranging from local accounting firms to business brokers and investment banking firms. You should make sure the company performing your valuation has access to the most current national data regarding privately held transactions in your industry. Experience in selling firms of your type is obviously helpful as well. The more you know about this, the better. You can also reach out to me to work with you on setting an appropriate price for your business. Just call us at [770.814.4466](tel:770.814.4466) to request your confidential, no obligation consultation.

4. Know why you are selling

Buyers always wonder why a seller wants to exit a business. Be prepared to explain your reasons. Try not to appear completely burnt out. You may scare off a buyer who needs you around for a transition period of a few months. A reasonable answer to this question is that you have been working at your business for years and you would like to realize some of its success. Perhaps you are ready to try something new. Perhaps you simply like building wealth from creating and selling businesses.

5. Get your books in order

A buyer will want to see at least 3 years of business information. The more formal your statements (accountant-reviewed or -prepared vs. internally generated statements), the better the impression you'll make and the easier the process of due diligence for you and your buyer. A

program such as QuickBooks Online is invaluable. A bookkeeper is also helpful if keeping records isn't your thing. It's worth the \$100 or so per month.

6. Understand what makes for a profit

Many small business owners deduct expenses from their business that simply wouldn't pass muster in the eyes of the IRS. This may include non-business-related travel, meals out, and equipment/furnishings not used for the business itself. When preparing your business for sale, clamp down on all non-business related deductions. While in the short term, this will decrease your disposable income, in the long run, you will show an increased profit and your business will sell for a multiple of that profit. In addition, infrequent expenses incurred during the past three years should be excluded in a buyer's analysis of recurring cash flow. There may be moving expenses if you've moved to a larger facility or unusual legal expenses. Definitely separate out business and personal expenses with a personal and business checking account.

7. Make a good first impression

Assuming you have a bricks and mortar business, what does your business look like to visitors? Buyers look for companies that show well. An orderly shop is often indicative of an orderly management team and back-room operations. Written protocols wherever possible are extremely useful and desirable to buyers. How easy would it be for a buyer to come in and take over from day one?

8. Organize your paperwork

Review your incorporation papers, permits, licensing agreements, leases, customer, vendor, and employee contracts, etc.

9. Consult a professional business broker

A professional, experienced business broker can list your business for sale and bring in several potential buyers. He or she will also have relationships with bankers, lawyers, and CPAs who can help get the sale completed. Many states require that business brokers have a real estate sales license, but some don't, and other than that, there is no formal qualification needed. You want someone with experience behind them.

10. Stay encouraged

There's a lot to do to prep your business for sale, and then once you get a qualified buyer, the process can take 3 to 6 months or more. There's also a lot of emotion involved—after all, you're selling your “baby.” The process is rarely without a few hiccups. Make sure the person or people you sell to seem to have the same values and that you feel you can trust them. If you are selling a business with employees, you'll probably want to make sure that they are taken care of. It's possible you will work for the business for several months during a transition process. Make sure the circumstances of that transition are palatable to you. Do they want you to work 60 hours a week for half your former salary? This will get old after a few weeks, even if you've received a lump sum from the sale. Get everything in writing and make sure you are comfortable. Make sure your loved ones are on board also. It's a time full of change, opportunity and new beginnings--not to mention substantial financial gain!