

Prepare to Sell Your Business from Day One – Always Have an Exit Strategy in Mind

Most business owners are wise enough to prepare a well-thought-out business plan when they launch their businesses. This plan is tweaked and enlarged as time goes on and the business grows. What is missing from most business plans, however well-prepared, is an exit strategy. Ideally, one should start preparing to sell the business the day they start the business!

How do you prepare to sell your business?

1. Have good books from the start. Wise business owners already know to keep accurate and up-to-date records, but you would not believe how many are not wise. Prospective buyers will want to see at a minimum three years' worth of accurate financial statements. These include a complete balance sheet, profit & loss and cash flow statements. In addition, prepare a 12-month projection (you should have one whether you are planning on selling or not). Savvy buyers will want to see that an outside accounting firm has audited, or at least reviewed, these financial statements.
2. Itemize personal expenses. It is common for business owners to "live out of" their businesses; these items are considered to be discretionary expenses. These expenses include your personal car, a family member who is on payroll who doesn't work for the company, insurances paid for you and your family, etc. These items will be added to the net profit of the business to arrive at a more accurate bottom-line.
3. Organize, organize, organize! Prepare systematic documentation of all job descriptions, business practices and operational processes. The more systems you have in place at the time of sale, the easier it will be to sell and for the new owners to assimilate into the business.
4. Keep an accurate and active inventory valuation. If your inventory is stagnant, get rid of it.
5. Hire and groom key employees. If your business relies on only you for its success, you will not be able to get a good price for it. Key management employees will demonstrate that your business is capable of sustainment with or without you.
6. Obtain a professional valuation. Depending on the size of your business, contact a business broker or a mergers & acquisitions broker to give you a realistic idea of what your business is worth. In general, professionals such as accountants and lawyer do not have the needed expertise that a business sales expert does to value your business.
7. Make sure the appearance of your physical facilities is excellent - clean and organized. Prospective buyers will be conducting walk-thrus and you want to make a good impression.

8. Hire a professional to sell your business. Generally, if your business has annual sales under \$5 million, you can use a business broker, commonly called "biz opp" brokers. If your business is larger than \$5 million in sales, you need to be talking to a mergers & acquisitions professional.

9. Prepare well in advance. When I sold my business, I took a little over two years to prepare to sell it. I grew it - on purpose - in order to sell it. The best time, generally, to sell a business is when it is in growth mode. Between the listing of your business and the time you have a check in your hands can take anywhere from three to twelve months, or more.

Call Tina Marino at 760-271-8331 or email at tina@marinomoneymasters.com

