Five Steps to Selling Your Business

Even if it's not in "The Plan" today, you should be prepared for that unsolicited call from a competitor or from a financial buyer, such as a private equity firm or other investor group. Or, perhaps your business has undergone a turnover in management, regulatory changes, financing needs or other business issues that are affecting your growth potential.

Whatever the cause, you should think ahead about the potential disruptions associated with a transaction so you are ready to act. Taking a five-step approach to selling your business can help you define your objectives, identify your risks and value drivers and obtain a purchase offer that benefits both you and the company.

Step 1: **Assemble the Team**

Surround yourself with key team members who will stay laser-focused on the long-term objectives of sale. This can be accomplished by:

- Identifying key employees in the process and including them in the planning process
- Identifying potential outcomes and timelines for a deal
- Determining clear objectives and communicating them with your team
- Procuring the right advisors

Step 2: **Organize Your Financials**

Buyers will want an in-depth look at your past, present and future financial performance. Be prepared to discuss:

- Present and future cash flow and projections
- Add-backs and other unique factors that have an impact on the financial performance of your company
- Key customers and concentrations within your industry, including your current market position
- Organizational structure, including finance, human resources and key department structure

Step 3: **Value Your Business Objectively**

The type of buyer you seek for your business will dictate which value points you highlight during the negotiations. Think about what the buyer would want from the acquisition. Put a value on the following:

- Key clients and customers
- Key financial metrics unique to your business, including manufacturing processes, key equipment, intellectual property and strategic partnerships
- Key trademark, copyright or other items such as the value of your brand

Step 4: **Evaluate Alternative Structures**

Structure, Structure, Structure. Consider which transaction makes the most sense and what is included in a transaction. Be sure to evaluate all potential avenues for a transaction in order to ensure that the option selected makes the most sense for your business. Take into account:

- Tax implications for the business and all owners
- Asset-sale versus stock-sale
- Which transaction is right – Debt, equity, debt with warrants, alternative investments
- Orphaned business operations – who is responsible

Step 5: **Rework, Retool, Repeat**

The key to any transaction is being nimble. The plan you start with is rarely the plan that gets executed. Communicate with your assembled team as frequently as possible to ensure you have the most efficient and effective transaction at each step of the deal. Be prepared to change the plan, retool the objectives and execute a new plan in a fluid deal environment.

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