

Essential Things You Need to Know Before Selling Your Business

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Selling your business can be an emotional roller-coaster, filled with ups and downs during the transaction process. There are so many obstacles in this industry of business sales, mergers and acquisitions. Below is a list of "Sellers Be Aware Essentials" that will guide and assist the sellers in selling his or her business(es).

PLAN AHEAD & GET EXPERT ADVICE

When business owners decide to sell their business, they would like to get the most value out of the sale of their business. First, and foremost, business owners need to "Plan Ahead" and "Receive Expert Advice"! Selling a business and getting the most value out of the sale is not a simple and easy task to take upon the owner by themselves. It would be nice to plan around 2-3 years ahead (i.e. Being prepared to get the best sales trends, proper management team, and accounting processes in place, etc.) in your business. In reality, it never happens that way. To start getting a business sale in order at its best- selling place and time, sellers can start by first reaching out to their local business sales, merger, and acquisition expert (Business Broker) to assist them in the preparations. Owners of businesses will save a lot of stress, heartache, time and resources if they utilize these experts who will educate and assist them, and prepare a confidential valuation of their business. A Business Broker's years of expertise will help guide and prepare the business owner and their business to sell at its best value by first providing a confidential business valuation based on the financials and information provided by the owner. They will work with the owner to come up with good marketing strategies and techniques to reach out to potential buyers, talk to and screen potential buyers and gather their professional documents that will assist the seller in a smooth transaction and creates an environment to allow running the business without any interruptions through the sale transaction process.

IMAGE IS EVERYTHING

You've heard the saying "Image is Everything", while this is true of selling houses, it also applies to sell businesses. Appearances matter in the sale of your business! In terms of the orderliness of your business location, books, and records, client and vendor files, etc. which can and will affect how potential buyers will view your business. This will show how you have been running the business, which in turn impacts the sales and bottom line of the business. Potential and interested buyers will be visiting the business location, meeting with you and the business broker many times, especially during the due diligence period, and they have very keen and detailed eyes to see how well you've managed your business through the years. Therefore, it is essential to keep a good image.

KEEP GOOD BOOKS & RECORDS

By planning ahead before you sell the business, you will be able to sell your business at its highest value in a smooth and successful transaction. Business owners need to start keeping their books and records, and their accounting clean and report 100% of their number for 2-3 years. Buyers purchase a business based on past performance, especially the last 2-3 years YTD. If only 80% is being reported on the business' tax returns, or if not reported at least have verifiable documents to prove the total sales, COG, and expenses. Even then the value of the business will decrease, and the transaction will be a bumpy and unpleasant ride. Keep in mind that most important in the value and sales of the business are the "numbers"!

HAVE YOUR LEASES & CONTRACTS IN PLACE FOR ASSIGNMENT

Leases and landlords tend to be one of the main obstacles in transactions. It can be very frustrating for the seller, buyer, and broker when all that is holding up the transaction to close escrow is the lease assignment and landlord approval. Landlords can be very stubborn and arrogant in a tight market, so it will be very wise and a benefit to the seller if the seller starts reviewing their leases and contracts way ahead of time before they decide to sell their business so that they can have their leases "assignable" with good options to avoid being held up by a landlord or key client.

CONTROL THE LAWYERS

Who controls the deal? You or your lawyers? Lawyers are there to service and assist you in the transaction and not hold up the process. It is important to not let them drive the process to a point where you rack up burdensome fees that are unnecessary. You, as the

business owner are the decision-maker. Have a good business sense to make accurate decisions that will benefit you as the business owner and seller!

TIMING & HAPPY ENDING

You've heard the phrase "Time is of the Essence", time definitely is of the essence for everyone, but timing seems to be different for everyone in the transaction. Seller, buyer and broker alike. It is crucial to pace the transaction and keep the transaction moving along at the proper pace to not take too long or too short of a time. To have a smooth and successful transaction for a small business with the asking price of under a \$1million should take no longer than 3-4 months, or larger deals in the manufacturing and engineering industry can take about a year or more, but each transaction and business with different sellers and buyers are unique to itself, and their timing are all so different. Seller is aware that time is of the essence and the more buyer and seller drag the transaction longer, the higher the chance the deal may fall out. The longer than usual transaction will keep everyone on the roller-coaster ride of emotions to their eventual downward spiral turn. Many things can go wrong during a longer than usual transaction. The buyer can over analyze the financials and burn out, have too much time on their hands and look at other businesses for sale, or miscommunication and a bad relationship can build up between the seller and buyer, etc. which can all lead to a deal gone wrong and eventually fizzle out. In order for everyone to have a "Happy Ending", Seller, buyer, and broker need to create a smooth transaction environment where the seller is aware of the key factors that will assist them in the sale of their business, and be well prepared to have the right things in place to close the deal in the right time frame.

If you have any concerns about the process of selling your business in Southern California, you can contact Phil Wolfstein, Certified Business Broker with ZOOM Business Brokers at 310-663-2180 or by email to phil.wolfstein@zbbcorp.com.