



Staging Your Business for Sale

Anyone who has sold a home will tell you that the key to maximizing the price and selling it faster is to “stage” your home for sale.

Common steps include cleaning and removing clutter, making needed repairs, and putting away items that are not for sale. The same principles apply when selling a business.

CLEAN AND REMOVE CLUTTER

Buyers consistently seek out and are willing to pay more for businesses that are physically clean. Financial records should also be organized and free of clutter. Accurate, up-to-date financial records, including annual financial statements and monthly interim statements, make a business attractive to potential purchasers.

Expenses which may not necessarily be used for generating income (i.e., cell phones for kids, automobile expenses for a spouse) may make your financial records look suspect to a buyer. As a rule of thumb, if you need to explain an expense, consider removing it. Buyers are more likely to have confidence in financial reporting presented in a professional and consistent manner.

MAKE NEEDED REPAIRS

Repairs may be superficial or may run deep. The physical premises should be well maintained and up-to-date. Broken fixtures, dated wallpaper, and worn out carpeting can make an otherwise attractive business look old in the eyes of a buyer.

Operational issues also may be in need of repair. Does your business have written policies and procedures? Are your employees well trained with specific duties? Is your business following best practices and procedures current to industry standards? Do you have up-to-date, well organized copies of key contracts at your fingertips? Measures such as these give buyers a sense of confidence that they know and understand what they are buying and that they can run the business effectively after your departure.

NOT FOR SALE

Putting away items isn't like hiding an appliance that isn't for sale in a home and will often take advanced planning. Passive investments in the business may cause negative tax implications in a sale transaction and may cause anxiety for buyers who question the value of the business after significant assets are removed. Keep passive investments in a separate holding company which provides enhanced asset protection from creditors and allows for cleaner financial reporting for the business.

Other items which may not be for sale include your time and ability to compete. Most sale transactions involve some form of transfer of the goodwill associated with a business. In order to facilitate this transfer, buyers often ask sellers to continue to participate in the business for a period of time, and that the seller enter into a non-solicit or non-compete agreement.

If you do not plan to be involved after the sale or intend to compete with the buyer, inform the buyer as this may impact the decision to proceed with the transaction. Similarly, if you plan an extended leave following the sale (such as a well deserved vacation), you should discuss this with the buyer to ensure that this will not become an issue.

There are many ways to stage your business. Improving aesthetics, organizing financial records, and implementing operational efficiencies will help it today and will make it more attractive to buyers in the future. Whether you're selling a home or selling a business, a little preparation can help maximize the sale price and streamline the process.



Tax
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