HOW TO:

Bring Your Business Value Up *Before* You Sell

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Most business owners have a number in mind when it comes to selling their business. What if I told you that currently you are not equipped, prepared, or have the proper resources to realize that number? Every year 80 percent of businesses that try to sale do not sell. The two main reasons are lack of preparedness and the vast difference in emotional value (what the seller considers it worth) and market value (what someone is willing to pay), causing most owners and/or buyers to push away from the negotiating table.

Preparedness planning is an essential tool for any owner interested in selling their business for maximum value. It provides a framework for owners to take control of their exit and it also minimizes perceived risk by a potential buyer that may create a discounted value at sale.

But oftentimes, the emotional attachment and perceived value by an owner can cause them to lose focus on the fundamentals of building value before a transaction. Which means the owners end up making concessions in value and terms they originally hoped to avoid or were unaware of before sitting at the negotiating table with a perspective buyer.

Selling your business comes with a lot of risk. While some risk is unavoidable, most can be mitigated when the owner is prepared for this important transition. This means preparing the business for sale, implementing a comprehensive financial plan before the sale, understanding sale options, and creating a formal transition plan with your transition team. Without these fundamental planning initiatives, the owner may face disappointing outcomes: Leaving up to 20 percent of value on the table, according to our data, or not selling at all.

Here are steps you can take right now to make sure this journey you're about to embark on is set to the right outcome:

1. START WITH A BUSINESS ASSESSMENT

Identifying issues or how a potential buyer will calculate the value of your business is important. Equally important to the preparedness process is resolving those identified issues that may have the biggest impact to increasing value before the sale. Our business preparedness assessment analyzes the factors that buyers look at to access a business. The assessment also creates a customized roadmap to unlocking value and a step-by-step personalized transition plan leading up to, and through, the sales process.

2. ASK THE RIGHT QUESTIONS

Selling your business goes beyond simply having the desire to sell. Performing a business assessment will make sure your business is ready to sell and the decision to sell is a good one. What questions should you be asking yourself:

- **What is the current value of my business?** This is an important number and is one that should be provided by a third-party value expert. It is needed for trust and estate planning, financial planning, and forecasting the net number from the sale.
- **Does my business have deal breakers?** Deal breakers are issues or problems that create more risk than a potential buyer is willing to take on in the transaction. Your ability to identify and resolve deal breakers before starting the sales process will save time, money, and help avoid the undesired outcome of losing a buyer.
- **Do I have the right team?** With good advice, you'll improve the opportunities for selling. The right team of advisors will help identify ways to increase the value of your business, help you understand the tax liabilities, show you ways comparable businesses are valued, and much more.

3. HAVE THE PROPER MINDSET

Once you decide to sell, you're not making changes for you, you're making enhancements to maximize value and attract a buyer. To do so means taking the necessary time to make the business attractive to the buyer: Get your financial accounting in order, grow your customer base, improve operational efficiency, develop a list of equipment you will include - or not - in the sale, get testimonials from former clients or customers, fix or replace any broken equipment, tidy up the physical property so it is presentable, and even try to smooth out any internal problems with employees or managers.

4. UNDERSTAND, YOU MAY BE STARTING WITH DISCOUNTED VALUE

Increased value of your business is created and built incrementally. Remember, to maximize profit from the sale you need to invest in preparing your business for sale. The investment you make now will reduce money left on the negotiating table by having the business value discounted throughout the due diligence process. Make sure you spend on items and services that will give your business heightened value. These can include:

- Investments in new equipment, maintenance, and process improvements.
- Identifying and incorporating tools that will boost efficiencies and make your company more competitive.
- Expanding marketing to diversify and grow your customer base.
- Ramping up productivity without sacrificing quality.
- Innovating new products and services so you don't look stale to prospective buyers.
- Improving your website and social media presence, making sure all links work and that it is optimized to secure the greatest traffic volume.

IN SUMMARY

Selling your business may be one of the most important decisions you can make. It's also an emotional one because of all the heart and soul — and savings — you've likely poured into the business. For those reasons alone you owe it to yourself, and your heirs, to give yourself the time needed to maximize the full potential for potential buyers.

This process involves serious planning and strategizing, information gathering and analysis, and resources to make your business stand out as a value that's worth the risk. Once you make the decision to sell, you need to internalize that decision, so that everything you do from that point forward flows in a positive direction. And hopefully, straight back to your pocket.

Position Your Business for the Year Ahead

Contact Cerity Partners to discuss what current events and potential tax changes mean for you personally and professionally.

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ABOUT THE AUTHOR

Brett Dearing, CEPA®, CM&AA® — With nearly 30 years of experience, Brett has assisted with key planning initiatives, preparedness consulting, and operational enhancements, for privately held and family-owned businesses with ownership totaling $2 billion. He has assisted CEO Founders in working through the complexities of day-to-day business operations, growth planning and structuring comprehensive transition plans.

Brett focuses on assisting CEO Founders with operational enhancements, growth strategies, mergers & acquisitions, recapitalizations, private equity partnerships, strategic acquisitions, spin-out acquisitions, tuck-in strategies, ESOPs, and company valuation & analysis. His experience includes implementing business, financial and personal planning solutions for CEO Founders.

In previous positions, Brett provided outsourced Chief Operating Officer services for CEO Founders. He also served as Senior Vice President at Goldman Sachs, Managing Director at Alliance Bernstein and has been actively sought to consult endowments & foundations, privately held businesses, family offices, various hedge funds, REITs, and private equity firms to launch business initiatives, go to market strategies and operational enhancements.

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