

What's Developing

SELLING YOUR BUSINESS

by Kelly Weaver, Small Business Development Center Regional Director

Most people do a lot of planning when they are starting a business. Unfortunately, the same is not often true of selling their business. This lack of planning can sometimes limit the selling price of the business and lengthen the time it takes to it sold. If you are looking to sell your business as a going concern, here are few tips to consider in preparation for a sale.

Be prepared to prove it. Any educated buyer who is serious about buying a business will want to see the financial records of the company. Be prepared to provide at least the last 3 years tax returns and financial statements to a prospective buyer. Be upfront and answer questions the buyer may have on the financial information promptly.

It's all about cash flow. While you may be selling inventory, equipment or even a building, the real value of a business is its ability to generate cash. If a business does not show a profit, it is very difficult to sell even if the assets themselves have value. You may want to pay more attention to the bottom line in preparation for a sale to build a financial history that proves the business can generate cash to support operations, debt service and profits. You may also want to recast financial statements to adjust for discretionary expenses the current owner takes out of the business that may be different for a new owner.

Curb appeal is important. How does your business present to the outsider? Are things orderly, clean, in good repair? Is there a lot of old inventory sitting around? Do you have any written procedures for various aspects of your business?

Look at your business from the buyer's point of view: Can the business support the debt needed for the purchase based on your asking price? Are there changes that need to/could be made that will affect the business, positively or negatively? Will the employees stay on with the business? Any time you can anticipate the buyer's needs and provide them useful information, you will help move the sale forward.

Are you in a position to carry part of the debt needed to make the purchase a reality? Because there is generally some goodwill in a business purchase, which has no collateral value to the lender, the buyer may not be able to get all the financing needed to make the purchase. It is estimated that over half of the businesses sold involve some kind of seller financing.

Are you willing to provide some assistance or training to the new owner? If so, what type of assistance, for how long, and will you expect to be compensated for it beyond the purchase price?

For most people, selling a business is a once in a lifetime event. It is first and foremost a negotiation so it can take some time to accomplish. Don't be afraid to seek the advice of your accountant, attorney and/or a qualified business broker to make the process a successful one.

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