"Top 40 Things You Can Do To Increase the Value of Your Business Before You Sell"

Tony Arena

Selling Your Business? - Preparation Is The Key to Success!

Most business owners never receive full value when selling their business because by the time they come to put the business on the market, either it is too late to do anything with it or the owner has no energy to properly prepare the business for sale.

We advise our vendors to take a good look at their business from a buyer's point of view. Act as though you are doing a due diligence prior to purchase. This applies whether you own a micro business that operates from home or has sales of millions of dollars per year.

There are a number of areas you can look at in preparing your business for sale. Each point relates to one of three things:

- Boosting Profit
- Boosting Cash Return
- Reducing Risk associated with your business.

The material in this ebook is a summary of one of the chapters in our Manual "Maximise the Value of Your Business" available online.

Go to:
http://bcibusinessbrokers.com.au/

Preparing your business for sale involves paying attention to the 20 key areas. They are listed below with sub-points as action points.

If you are selling the business, good luck. Remember if you prepare well and present the business honestly, you won't go wrong. You will have a friend for life in the buyer of your business. And the skills you learn in this process will ensure you can go on and create other businesses which you will also sell for good money.

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HOW WELL DO YOU KNOW YOUR BUSINESS

1. Ask Yourself "Would I buy this business?" Then answer truthfully what you would pay for it.

2. Take a good look at the strengths and weaknesses of your business. Boost the strengths and fix the weaknesses.

HISTORY OF OWNERSHIP

3. A solid history under the current owner is good. If your business does not have a long track record, be prepared to prove profit or sales in some other way by trial or by way of performance clauses to be satisfied prior to full and final settlement. Despite what vendors think, buyers will not pay for potential.

IMAGE AND BRAND

4. Clean up the office, factory or shop so that when the buyer walks in he will see that this owner is in control and not "all over the place". Chaos points to a bad business.

5. Nurture your reputation by the quality of the products and services you deliver. Always be conscious of the image you project.

6. A good brand says to the market "Trust me and I will look after you". Be ready to show client testimonials, press write-ups and any customer satisfaction surveys you may have.

CLIENT AND SUPPLIER CONTRACTS

7. Make sure you have all client & supplier contracts at hand. Contracts can work both ways as buyers may not want to be bound by them. However on balance contracts add certainty, and certainty increases value.

8. If you rely on a single supplier, you are at risk unless you are protected by a long contract and even then there are no guarantees. Look for alternative suppliers.

9. Execute written agency agreements with agents where possible.

10. A good spread of clients is better. Don't have the business too heavily invested in one or two major clients. A good spread of clients makes a buyer feel comfortable. Grow the bottom of the client base.

PATENTS TRADEMARKS AND DESIGNS

11. Ensure you know what is your copyright and what is not. What you have personally created, written or designed is automatically your copyright. List all such items. This is particularly relevant for websites and other intellectual property that you might own.

12. Trademark your brand, logo and any other word or phrase you think you are entitled to. Online Intellectual Property registration is simple these days. Register

Patents and Designs as required. Make sure you keep a register of current registered patents and designs if you have them.

TENURE OR LEASE

13. Your lease must be of sufficient length and contain reasonable terms. Negotiate your lease before putting the business on the market. Have your lease read by an expert in lease negotiations in case there are relocation or demolition clauses that make your business worthless.

REASON FOR SALE

14. Reason for sale needs to be genuine. Don't invent reasons for sale. Such a strategy is transparent and will not help you realise value for the business.

EMPLOYEES

15. Contracts should be negotiated with key staff if appropriate. Your staff roster is one of your great assets. Profiles of employees should be prepared listing their duties, strengths, length of employment, salary, incentives etc.

16. At the appropriate time, tell your key employees that the business is going to be sold. Tell them you will endeavour to secure a future for them in the business if they wish. It is better if they hear it from you rather than from another person.

17. Train staff regularly. A well-drilled and motivated team is a bonus when a buyer comes to look at the business. A well-trained and happy team may work for less if they are happy at work.

YOUR ROLE IN THE BUSINESS

18. The current owner's influence should not be too great. Make a list of the things that must currently be done by the owner and one by one delegate these to others. Give more responsibility to key staff – or outsource.

19. Reduce the hours you spend in the business. A business heavily reliant on the current owner loses value for that reason.

CREDIT RATING

20. Credit rating should be healthy. Pay your debts on time. A poor credit history can unsettle a buyer.

COMPUTERISATION

21. Computerisation is crucial. If you are going to set a program of two years or more, before you sell, then you may consider increasing the computerisation in your business.

KEY FINANCIAL DATA

22. Produce Profit and Loss, Balance Sheet and Cash Flows. Have the most recent tax return available within three months of the end of financial year. Keep management figures from your internal accounting records up to date and keep a monthly record of sales for past two years. Have a cash flow projection for the next twelve months available.

23. Show a steady history of sales if at all possible. Whilst it is hard to keep up sales in a downturn, you need to try to iron out the bumps in the sales history. Erratic trading makes a buyer nervous; solid (not spectacular) upward trends give a buyer comfort.

24. Keep the KPIs that are important to your business. Count the number of sales, not just the amount. Know what your GP is on a consistent basis. Gross Profit is a key figure for a buyer.

25. There are some figures that should remain constant from year to year. If there is a marked deviation from the standard, explain this satisfactorily. If you do have trends in sales, explain them by way of season, weather etc.

26. Keep notes to explain why sales might go up or down, and why expenses suddenly blow out. Introduce new lines in your business to help smooth out the bumps.

PLANT AND EQUIPMENT

27. List all the plant and equipment of the business. Two lists – one of what you own and one of what your are leasing or someone else owns. List brand, model number, date of acquisition, acquisition cost, replacement value and depreciated value

STOCK

28. Keep stock to a minimum. If you have stock that is superfluous, outdated or hard to move, sell it out. You may discount it a little now, but later you won't be able to give it away.

COMPETITIVE STRENGTH

29. Make an accurate assessment of the competition. List major competitors. Assess the strengths and weaknesses of the competition. Know what their pricing, marketing and production policies are, and why yours are better.

ONLINE STRENGTH

30. Consider moving into online sales. A business with strong online sales indicates that the sales should be there after the sale, as the business is being done with the site rather than with a particular person.
31. Bring your website into the modern day. These days an old-fashioned website shows that the business is out of touch with the market.
32. Make sure your company has a social/business media presence. That can mean a profile on LinkedIn, Facebook or Twitter. If you are going to conduct such a campaign make sure it is updated and regularly worked.

SYSTEMS

33. Ensure appropriate systems are in place. Wherever you can, systemise your business. Detail your business operations. Create an operations manual.

34. Also ensure the sales process is systemised. Avoid the temptation to do "binge marketing". The sales cycle should be predictable. Otherwise you only have a "selling" business.

BUSINESS PLAN

35. Only 17% of businesses have a business plan. In small business the number is much smaller. Those with a business plan often don't make it a working plan. Make sure you have a working plan and regularly review it. It can make a foundation of the Information Memorandum you prepare when you actually go on the market.

36. Hire a coach. A good coach will keep you accountable for measurable goals and milestones you need to reach as you grow your business. A good coach will also help you build your business plan and keep you focused on product, price, promotion and distribution.

37. Make networking part of your business plan. Some networking clubs only allow one member in each category. This means that when the owner sells she can introduce the incoming purchaser to take her place at the group and continue to get the leads she was getting.

PLAN THE SALE

38. Ask: 'Who might buy the business" Draw up a short list of who might be interested and also a list of things that they might value in your business.

39. Set a date for when you want to sell. The further away that date is the more you can do to maximise value.

FORM YOUR TEAM

40. Form your team. Hire a business broker, accountant and solicitor who know something about the business. Get them involved early. Selling a business is too complex for the job to be handled properly by the owner. The professionals will take you through the pitfalls and guide you to the winning post. Choose those who have experience in your industry and ask those who have used winners in the past to recommend someone.

If you want to learn more about Maximising The Value of your business, BCI sells the Comprehensive Manual 'Maximise the Value of Your Business.
Contact Tony Arena on 61 2 9439 3399 0411 888 148 or email tarena@bci.net.au

Also see our valuation resource www.valueabusiness.com.au

BUSINESS CONNECTION INTERNATIONAL

Due Diligence Top 20 for Selling Your Business.

1 = Poor. 3 = Average. 5=Excellent

(Points)	1	2	3	4	5	
1. Knowledge of your Business	O	O	O	O	O	....
2. History of Ownership	O	O	O	O	O	....
3. Image and Brand	O	O	O	O	O	....
4. Client & Supplier Contracts	O	O	O	O	O	....
5. Patents, Trademarks & Designs	O	O	O	O	O	....
6. Tenure or Lease	O	O	O	O	O	....
7. Reason For Sale	O	O	O	O	O	....
8. Employees	O	O	O	O	O	....
9. Your Role In Business	O	O	O	O	O	....
10. Credit Rating	O	O	O	O	O	....
11. Computerisation	O	O	O	O	O	....
12. Key Financial Data	O	O	O	O	O	....
13. Plant and Equipment	O	O	O	O	O	....
14. Stock	O	O	O	O	O	....
15. Competitive Strength	O	O	O	O	O	....
16. Online Strength	O	O	O	O	O	....
17. Systems	O	O	O	O	O	....
18. Business Plan	O	O	O	O	O	....
19. Plan the Sale	O	O	O	O	O	....

Your Total Score

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Number the above points from 1(Poor) to 5(Excellent) according to how well prepared your business is for sale.
e.g. Point 3: Businesses that have a good image are worth more. What is your score?
Write the points down the right hand side and tally your score.
How fit is your business for sale?
If you have scored over 75, you are in very good shape.
If not – get to work now and reap the benefits in the years to come.