

# 7 STEPS TO DETERMINE IF YOUR BUSINESS IS READY TO BE SOLD

Sell Your Business 101 #VRVALUE



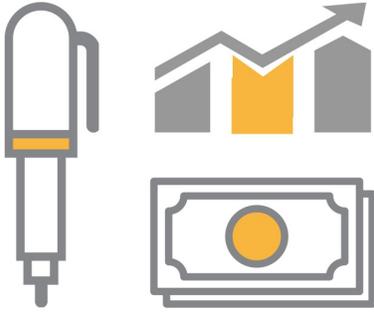
Thinking of selling? The steps below will help you identify the strengths and weaknesses of your business in the eyes of a buyer.

## 01 ASSEMBLE INFORMATION

Assemble information that you will need to sell the business. This includes the past five years of business tax returns and/or accountant reviewed or compiled financial statements, summaries characterizing your revenues, asset lists, employee census and organization chart, analysis of competition and market. This information will be your guide to assess your company's value and, should you take the next steps to sell, will need to be readily accessible for a potential buyer.



## 02 BUSINESS PERFORMANCE



Take a hard look at your business. Are revenues growing? Do you have consistent earnings? How do you benchmark next to your competitors? Buyers want to know that your business is performing well. If not, then you may want to focus on improving operating metrics before going to market.



These 7 steps directly relate to how business valuations are assessed when determine a sale price or range.

Your business doesn't need to be in a perfect place to sell, but you want to ensure it is marketable.

## 03 STATUS OF MANAGEMENT TEAM



Are all functions covered when you leave?



Can operations run without you? Will the company continue to grow?



Recruit and higher to fill gaps and create a strong management team.



Buyers will be assessing the depth of your management team and how well the company will operate without you. All day-to-day and critical functions need to be able to be performed by your staff in a competent and effective manner. If you are the only one who knows how to perform certain functions or management heavily relies on you in any way, think about hiring in new talent or creating a plan to develop your current staff.

## 04 EVALUATE YOUR CUSTOMERS



Companies that rely on a few customers for a large portion of revenues pose more risk to buyers. Buyers may negotiate paying the sale price of a company over a series of years to account for this additional risk.

A few general rules of thumb:

1. No one customer should account for more than 10% of revenues, and ideally not more than 5%.
2. The top ten customers shouldn't account for more than 50% of revenues.

Overall, the diversity of the customer base is important to buyers. Industries served with poor economic outlooks are less attractive. Evaluate whether your customers are in low or high growth markets.

## 05 EVALUATE SUPPLIERS

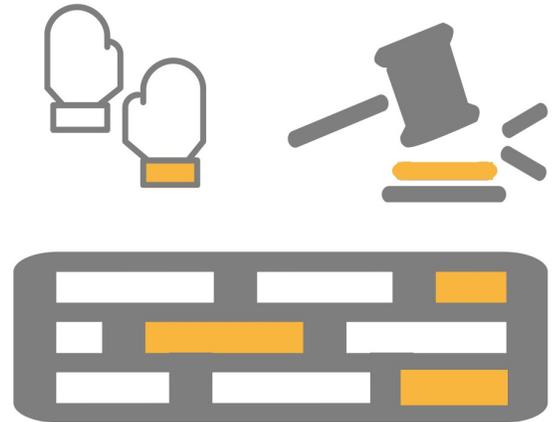


Supplier diversity is also important as reliance on a few key suppliers can also create additional buyer risk. Assess the number of suppliers you use and how easy they are to replace. If you only have a few key suppliers but it is easy to switch, diversifying your suppliers may not be important.

## 06 DEAL BREAKERS

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Identify potential deal breakers. Are there any unresolved issues within your business that can pose a problem for buyers? Any loose ends related to ownership, intellectual property, bank accounts, suppliers, customers, non-compete issues with employees, law suits and so on can get in the way of closing a sale. Identify any major issues and resolve them prior to sale if possible. If you can't resolve an issue, be upfront with a potential buyer about the situation and have an action plan to get the issue resolved.



## 07 LIFE AFTER SALE

Figuring out what comes next is important to ensure you can cope with the change and are ready to move on. Knowing what is next will make it easier to let go of a huge piece of your current day-to-day life.

After following the 7 steps, you should have a clear picture of your company's strengths and weaknesses.

Still need help? Ready to sell? Call Jeff at (203) 772-3773.

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