

Setting Up for Selling Your Business

How to Develop a Successful Exit Strategy

Recently, many entrepreneurs fulfilled their life-long dreams of buying a business. Others have seen their businesses grow gradually over the years. They are pursuits these business owners have enjoyed and cherished.



However as a business owner, you have to remember there will be a time you will have to pass your dream along to somebody else – owning the business you have started.

Whether you're selling the business because of burnout, retirement or the desire to move on, when the time arrives to do so, do it right and receive the optimal sales price.

Often when you contemplate, plan or pursue the opportunity to sell your business, you discover the selling process doesn't give you the flexibility needed to make the best deal. But you don't need to fear, feel manipulated by or go through the resale process alone.

You will be at an advantage as an owner if you start thinking about selling the business before you actually proceed. You will easily be able to identify the important elements of the resale process, and have some control over them in the future. Preparing to sell before you move forward will help you better understand the business transaction, your needs as an owner and be in a better position to develop a strategy to make it through the resale efficiently and profitably.

There are five obstacles in the resale process you will have to examine as you proceed. With each one, there are some helpful tips every VR business intermediary will recommend to you. This will assist you in understanding the process better and successfully sell your business.

- 1.) Position Your Business for Sale,
- 2.) Determine a Fair Listing Price,
- 3.) Running Your Business during the Marketing Period,
- 4.) Finding the Qualified Buyer,
- 5.) When to Consider Selling Your Business.

Position Your Business for Sale

The day you purchase the business is the day you start positioning your business for resale. You might not think so, but thinking about building long-term value for your business is just as important as making money in the short term.

You want to maintain detailed records of finances, permits, licenses, equipment and inventory through your ownership. This will be critical when you are trying to sell your business, so don't neglect this part!

Determine a Fair Listing Price

There are many methods you can use to price your business. The most common method includes a multiple of cash flow – normally, 1 to 3 times annual cash flow, depending on the type and size of the business. Also included in this method are value of equipment and inventory plus one year's cash flow, 3 to 12 monthly gross sales and book value of assets.

There are many factors contributing to pricing your business:

- Financial terms,
- An earnout,
- Non-compete clause,
- General attractiveness of the business,
- Future potential,
- How the business fits with the buyer's strategic plan,
- Size of the business – larger businesses bring a higher multiple,
- Rarity of the business,
- Whether the business is a service business tied to the seller's relationship with customers, retail or other type of a business with a skilled staff in place.

Any VR business intermediary will help you determine the right method to use, given our 30-plus years standing as a contributing innovator of business sales, understanding the marketplace, taking into account the various ways a business can be sold and a comprehensive database of comparable sales.

Running Your Business during the Marketing Period

Just because you are planning to sell your business doesn't mean you neglect it during the process. You have to continue to personally attend to the business and not place too much time and effort in the selling process. If you do, a deterioration of revenue and ultimate the resale value will happen.

This is where your VR business intermediary will be beneficial in assisting you in finding qualified buyers, while you concentrate on managing your business to ensure you maintain the maximum resale value possible.

Finding the Qualified Buyer

Not every potential buyer is qualified to take ownership of your business. Your VR business intermediary will attempt to find a qualified buyer through examining their capital and source of that capital, motivation to buy, needs and expectations, background and skills. Your VR business intermediary will sit down with the buyer, asking all the pertinent questions to determine if the business will transition successfully to them.

When to Consider Selling Your Business

The right time to sell a business will vary from one owner to another. You may have a completely realization it's time to move on from every other owner. Thinking and planning the sale of your business before you decide will be much more satisfying and profitable; whether it's when the business is doing well, in a non-seasonal downward trend, hitting its peak of growth, deciding it's time for retirement, family issues, health issues or simply tired of being the owner. This question can only be answered by you.