

Selling your business?

PLAN AHEAD TO FIND THE RIGHT BUYER — AT THE RIGHT PRICE



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After spending a major portion of your life building a successful business, you have made the decision that you are ready to sell and reap the rewards of retirement.

Several critical questions must now be answered: How much is my business really worth? How do I maximize my sale price? How do I find the right buyer?

In the great majority of cases, the answer to all of those questions can be found by engaging a skilled mergers and acquisitions advisor.

Over the years, you and your accountant have made every effort to lower reportable income, thereby minimizing the amount of taxes you pay. In part, this could have been accomplished by depreciating the value of machinery, vehicles and other hard assets that, in reality, have a much higher current market value. You may have also written off expenses through the business that a future buyer might not incur.

Your financials will need to be recast, adding back items to properly reflect the current value of your company's assets and receivables and to exhibit maximum cash flow.

This information can then be used by an independent valuation provider to accurately calculate the current fair market value of your company.

Is a valuation really necessary? Yes. The most obvious reason is that you need to have a realistic expectation of what the bottom line will be should you decide to proceed with a sale.

Even if you are only thinking that you might sell in the next couple of years, a valuation provides invaluable information in formulating your future financial plans. A valuation also provides hard facts to use in response to buyers who show interest in your company, but at less than fair market value.

If you do decide to proceed with a sale, any transaction over \$1 million will likely entail some form of secondary financing. Without a valuation, a buyer's lender will not know the



value of your business, which must serve as collateral for the loan. The buyer would then have to begin the valuation process on his or her own, creating what could be a costly delay. Small business lenders readily accept these unbiased independent valuations, accelerating the speed of a transaction.

Will my competitors and my employees know if I decide to sell my business? The answer should be unequivocally no.

Confidentiality is of maximum importance. Knowing that your business is for sale could lead key employees facing employment uncertainty to seek positions elsewhere. If customers, suppliers and even competitors perceive that your business will not be there for the long term, their actions could negatively impact operations during the time it takes to complete a transaction.

A reputable mergers and acquisitions advisor will keep all client engagements strictly confidential and make sure potential buyers do not see any of the seller's specific information until they have signed a confidentiality agreement and are fully pre-qualified to purchase that business.

Having the right advisor handling the sale of your business also allows you to focus your attention where it needs to be: running your business without unnecessary distractions until a sale is consummated.

Interest rates are rising, but they are still at historically low levels. Presently, there is a diverse group of buyers in the market. This includes individuals searching for a business they can run, existing companies wanting to expand their current activity and private-equity funds looking for well-run businesses that they can add to their portfolios.

Engaging an experienced mergers and acquisitions advisor will ensure that you maximize the proceeds from the sale of your company by promoting it to the greatest number of buyers, in complete confidence and at an established fair market price. **■**

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