



The best time to sell your business is before you or your business peak!

When your business is doing well, the economy is good, your industry is in an upswing and there is plenty of room for growth that is when your business is worth the most to a potential buyer.

Obviously, if you are making a good living, are still energized by your business, and want to take it to the next level, there is no reason to sell. However, selling is justified if you are bored, a health or personal issue is beginning to reduce your effectiveness, you would like to plan for retirement or when you see the industry changing and know you are not willing to do what is needed to keep up.

Aside from retirement, most people sell when something adverse occurs. Downward trending numbers or a forced sale will significantly reduce the value of your business. Many owners hang on until they have destroyed half the value of their business.

What are the warning signs of a downward trend?

- Sales have been flat for 2-3 years
- You haven't been prospecting for new customers in quite a while
- You have been living well, but not reinvesting in the business
- You are capacity constrained but aren't willing to make the investment to grow
- Performance is off and you aren't surprised
- Your lease is about up and you haven't renegotiated
- You hate getting up in the morning

If this sounds like you, you should take corrective action and/or prepare your business for sale. Triggering events such as a partnership dispute or divorce are out of your control, but many things are just in your blind spot.

Adding value back to a business will differ on a case by case basis, but there are a number of general things that buyers will look for in evaluating a business opportunity. Here are ten questions a prospective buyer will ask.

1. Have revenue and profits been steady or trending upward?

A buyer will expect a company to be profitable and growing. If things are trending downward, you need to identify and correct the problems.

2. Is the business well positioned in its market?

If your business is not in a protected niche, buyers will want to know you have developed a defensible position that can weather competitive or industry stress. Any intellectual property (patents, registered trade marks and copyrights) will add significant value.

3. Is there room in the market to grow?

If your business and market have completely matured, a new buyer will not be able to receive the same benefit from the business that you have.

4. Are the business assets in good condition and is essential technology up to date?

Any investment in productive assets will be returned in a sale, but lack of a solid working platform will become a hindrance.

5. Is there capacity with the current location, assets and personnel to support growth without major additional investment?

Buyers will want to know that the current location, equipment and personnel can support some growth in the business.

6. Are the technology, know how and customers of the business easily transferable?

If *you are your company* to your customers, your business will be more difficult to sell, and an extended transition period will be requested.

7. Is the account base and supplier base well diversified – without one customer or supplier too critical to the business?

Heavy account concentration will mean a major discount for your business.

8. Are key relationships healthy?

A buyer will inherit these relationships. They should not be perceived as liabilities. Pay any back invoices, and make sure all accounts are current.

9. Has business knowledge (intellectual capital) been institutionalized?

While some transitional training may be required, transferring your unique knowledge or relationships to key employees in your business will assure buyers that the business can continue to run at top performance.

10. Is there sufficient time left on the lease, if applicable, and are terms reasonable?

If not negotiate a new, assumable lease.

To increase business value you need to prepare your business for the next owner so that his risk is minimized and the opportunity is compelling. The answer to all of the above questions should be an unqualified yes. If not, you have work to do.

The best time to sell a business is when you *and the business* are ready and, hopefully, the industry and economy are cooperating. You can maximize value by planning in advance, keeping performance strong, putting your business house in order and timing your exit during an upswing if possible.

Fran Storer, Managing Partner of Fidelity Business Partners, LLC, a Mergers & Acquisition firm, can be contacted at (908) 340-4000, fstorer@FidelityBP.com or www.FidelityBP.com