



Charleston
BUSINESS BROKERS
PLAN • PREPARE • MAXIMIZE VALUE

CASE STUDY

PLAN AND REAP THE REWARDS

After reviewing financials and then meeting with the prospective client I offered my advice. “Your business will not sell for many reasons or at the very least in its current configuration its value will be heavily discounted.” Now why would I tell someone that? I would tell a prospective client that, in a respectful manner, because business sellers need the truth prior to going to market. In this case, the seller’s public name was his personal name, his financials had two separate businesses intermixed on his statements and his core income was earned solely through the work of independent contractors. My advice to him was to use me as a sounding board in moving forward in addressing the needed action. In six months he had changed his company name, updated all company internet and internal documents to reflect the name, worked with his accountant to separate his two companies current and historical financial information, and hired an attorney to prepare non-compete and non-solicitation agreements for execution by his contractors. Yes, he spent time and money but in my estimation he took the necessary steps to, first, make his company marketable so that it could even be sold and, second, realize a very healthy price for the sale of his business.

An even more dramatic story of seller preparation evolved when after meeting with a prospective seller, our assessment of the value of her property management company was that a fair market value was in the \$400,000 range. When we were told that was not acceptable we took the time to assess her business and outline a plan of action that would increase value. She executed her plans and met with us months later satisfied that she had taken the needed action to reach a value range that she wanted. Well... we sold her company for almost \$300,000 more than her target. Plan, Prepare, Maximize Value.

LESSON LEARNED

Sellers who thoughtfully plan and prepare their business for sale will accomplish two things: 1) they will increase the marketability of their business and 2) they will increase the value of their business. And the bonus in all of this work is that the action needed to prepare your business for sale is the very same action needed to grow your business.

TIP (THOUGHTFUL IN PREPARATION)

Planning and preparation are critical to selling your business. Your intermediary should examine all aspects of your business prior to taking your business to market. And the seller must be open and

honest with the intermediary in identifying aspects of the business that could be problematic for an acquirer. And no business is without a wart or two. The rule of thumb here is that if these potential obstacles are presented up front along with well-thought-out solutions then an acquirer will evaluate the obstacle and move forward. However, if these obstacles are uncovered in the due diligence period then all trust that has been built with the acquirer will be destroyed. Unfortunately, I have heard from acquirer's before when surprised by a client's non-disclosure; "If you didn't tell me this then what else are you hiding from me." Don't put yourself in that position. Planning, preparation and full disclosure are the order of the day. There are enough challenges in the business sale process already so minimize them by not creating challenges of your own making.



Established 2000. Experience matters.. especially when you are entrusting the sale of your most valuable asset, your company, to a third party intermediary. Expect twists and turns in the business sale process and hold your intermediary to the highest standards of professionalism and communication. Experience in dealing with the complexities of the business sale process really do matter. Receive the results you deserve by starting with the right intermediary. Call us at (843)849-1175; Email us at info@charlestonbusinessbrokers.com; or visit us on the web at www.charlestonbusinessbrokers.com.