

Tips to Get the Best Price for your Business

1. Prepare your business for sale

It's important to get your financials in order before you sell. Not having strong bookkeeping or accounting is, without doubt, the No. 1 deal killer when selling a small business.

Some initial items you will need include P&L statement and corporate tax returns for the last 3 years, a current balance sheet, list of employee responsibilities, list of equipment, and a current lease agreement. Also, preparing a professional buyer's package that includes an executive summary will set you apart from other opportunities on the market that potential buyers are considering.

2. Focus on the growth story

One major problem with using an SDE multiple to value a business is that the number is backward-looking. When valuing a business, it is important to look at the future, even if you're the seller. You will want to present a case to potential buyers that your business' revenues and profits will grow and the business should have a higher multiple as a result.

A buyer also wants to consider factors that might be challenges or opportunities for the business going forward. The best way to do this is to provide projections based on how the business could perform in the future in both best- and worst-case scenarios. It could help the buyer understand what your expectations are for the business and give them a level of comfort that it will continue to perform at or better than current performance levels.

3. Review & Improve Your Promotion Strategy

It's important to control the public's perception of your company before you try to sell it. Perception is often reality in

business, and a business with loyal customers will almost always sell for more than one that doesn't. Additionally, improving your market share and promotional strategies prior to selling can give a nice immediate increase to your business' sale price.

4. Take the Emotion out of the Business Valuation Process

Most experts we've talked to say that sellers set the asking price for their business too high. Sellers often place too much value on the amount of time and effort that they have put into the business, even if the financials don't support such a high valuation. Having a number like SDE to support the valuation helps take all emotion out of the valuation process and results in a more accurate estimate of the business' worth.

5. Lock Up Key Employees & Contracts

Make sure that you have key employees committed going forward, in case the buyer needs them to stay. This can give all potential buyers a comfort level that the company will continue to operate the way it has been. Also, work on getting all of your key contracts locked up for as long as possible. If you have important contracts coming up for renegotiation in the next year, then try to get them extended or renegotiated now.

6. Start Paying More Taxes

While most business owners spend tax season finding every business expense they can possibly claim in order to reduce their tax bill, that may not be the right move before you value your company and try to sell it.

Consider paying more in income taxes, as this has two particular benefits. One, the fewer adjustments or addbacks that you need to make to the P&L statement,

the more favorable a potential buyer looks at the operation. Two, businesses are sold based on a multiple of earnings. That means for every dollar on the bottom line, one may pay 40% of it in income taxes, but that same dollar may count two to five or even more times in value when selling.

Paying more taxes will also make it easy to show any potential buyers what the company is making right from your tax return, which is a value that's hard to argue against. Many potential buyers analyze more than one business at a time to find the right match for them. The easier you make it for them to see the value of your business, the more likely they take a closer look at it.

7. Hire a Business Broker that will get the highest price for your Business and guide you throughout the entire Process

You guessed it...Contact an expert at **Royal Business Consultants** for a free consult today!!