PKF Investment Banking

10 Ways to Position Your Business for a Successful Sale

By Robert Murphy, Senior Managing Director

While you may be confident in the unique advantages and future prospects of your company, most potential buyers will need to be convinced beyond a doubt. Strength testing your business before approaching buyers is critical. When your company's information and outlook are transparent, buyers will compete to buy it, driving price and favorable deal terms for your business.

For most private business owners, the sale of their company is the most important financial transaction in their life and can be transformational.

If you're considering a sale this year or in 2024, now is the time to get prepared. Start by checking these critical deal success factors:

1. **Obtain a realistic value range**. You should have an understanding of the value range for your business and ways you can increase such value. In addition, you should confirm that this value will meet your financial objectives.

2. **Accurate historical financial statements.** Income statements and supporting detail need to be accurate and readily available. In addition, your company's balance sheet should be checked to ensure all assets and liabilities are captured and fairly stated. Accrual basis financial statements will be required.

3. **Projections for 1-3 years out should be bold but achievable**. Work with your M&A advisor to develop financial projections that will be foremost in buyers' minds when making offers. Plan to surprise only on the upside!

4. **Build an experienced M&A deal team**. An M&A advisor with a strong track record of selling companies in your value range and who can reach the right buyers domestically and internationally is key. You'll also need a tax advisor and a corporate attorney focused on M&A.

5. **Select managers for an internal deal team.** All operating shareholders should be involved in the sale process and it's also advisable to enlist the support of one or two senior financial or key employees. With guidance from your M&A advisor, this can be done skillfully at the right time in the process.

6. **Clarify and implement your growth story**. Realistic, well-formulated growth opportunities increase the likelihood of attracting premium value offers. Are you ready to present buyers with concrete expansion opportunities that could be achieved with additional growth capital?

7. **Identify and address potential risks**. Objectively review any present or future risks associated with your business and devise strategies for mitigating them. These could include customer or vendor concentration, nexus issues, regulatory changes, employee retention, supply chain challenges, technology disruption and many others. Buyers will challenge everything; be prepared so your deal does not get delayed or lose value.

8. **Know your Key Performance Indicators (KPIs)**. Demonstrate how efficiently you run your company by setting up and monitoring a dashboard of metrics appropriate to your industry that buyers will expect to be available.

9. **Double down on documents**. Every contract, registration, benefit and insurance plans, tax filings (last 3-5 years are typical) and other documents related to your company will need to be gathered into a virtual data room before a deal can close. Early in the process, your M&A advisor will supply you with a list of required documents.

10. **Fire on all cylinders as you run the business**. You and your management team must stay focused on the business, driving growth and profitability throughout the sale process. The importance of meeting or, if possible, exceeding projections while your company is in market cannot be overstated.

Contact Us

If you're thinking of selling your business in the near future, contact us for a preliminary conversation as to your company's readiness for market or for a Complimentary Value Assessment.

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