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A Few Things to Consider

Buyers Want Cash Flow

The first thing to keep in mind is that the vast majority of buyers want to buy cash flow. Sit down with your accountant or bookkeeper and begin to get your financial statements in order with cash flow the order of business. Cash flow is not the same thing as profit. Most buyers look at the profit and loss statement or tax return, and look at owners or family compensation. They will consider any excess compensation to employees and family members. Buyers will also look at large one-time expenses such as a new computer system, or remodeling. They will consider non-cash items like depreciation and amortization. Interest expenses will be reviewed, as will owner perquisites. These are items that a professional business broker considers when advising a selling client on a suggested selling price.

Appearances Do Count

The time to replace that old worn-out piece of equipment is before you decide to sell. Don't assume that a new owner will want to do it or that the price will be slightly lower because you haven't replaced it. The time to "spiff up" the business is now, even if you aren't selling. Fix the sign, replace the carpet, paint the place – make it look good. Even if you're not selling, it's just plain good for business, and you never know when the time to sell occurs. Keep-in-mind that anything that increases sales also increases profits and the all-important cash flow!

Everything has Value

There are other things that add value to your business. Don't discount the value of customer lists, proprietary products and/or techniques, well-maintained equipment, secret recipes, customized software programs, or good employees. These are termed "off-balance sheet items," and although not used in most pricing models, they add to value.

Look at your business very carefully so you don't overlook those items that make your business more attractive to the buyer.

Determine Value and Taxes Upfront

A sale can fall apart at the last minute when the seller realizes that he is not receiving all the money he was planning on due to income taxes and expenses. You need to determine at the start of the sales process what your business is worth and what your income taxes will be on the sale. Often, by planning ahead, you can reduce the ultimate tax that will be due.

Replace Yourself

Your business will be more valuable if you have developed personnel working in a structure that can make the business function even when you're not around. A buyer wants to step into a functioning business, not just a job. It is much easier to grow a business that has an organized structure to it. This will enable you to sell your business at a higher price.

Eliminate the Surprises

Long before you put your business on the market -- eliminate the surprises! Review every facet of the business and remedy any problems that could appear during the sale process. No one likes surprises -- most of all potential buyers. Whether legal, accounting, environmental, or anything else -- solve it now.

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