Outer Banks BUSINESS BROKERS

Are You Ready To Exit?

If you are reading this, then selling your business has aroused enough curiosity that you are taking the first step. You don't have to make a commitment right away. Just get informed about what is necessary to successfully sell your business.

Question 1
"What is my business worth?" It doesn't make any difference what you think your business is worth, or what you want for it. It also doesn't make any difference what your accountant, banker, attorney, or best friend thinks your business is worth. Only the marketplace can decide what its value is

Question 2
Do you really want to sell this business? If you are really serious and have solid reasons why you want to sell, it will most likely happen. You can increase your chances of selling if you can answer yes to the second question: Do you have reasonable expectations? The yes answer to these two questions means you are serious about selling.

The First Steps

Before you even think about placing your business for sale you will need to gather information about your business.

Here's a checklist of the items you should get together:

- Three years of profit and loss statements and the current year-to-date
- Three years of Federal Income tax returns for the business
- List of furniture, fixtures and equipment
- The lease and lease-related documents
- A list of the loans against the business (amounts and payment schedule)
- Copies of any equipment leases
- A copy of the franchise agreement, if applicable
- An approximate amount of the inventory on hand, if applicable
- The names of any outside advisors

After you gather all of the above items, you should spend some time updating the information and filling in the blanks. Put all of the information in a neat, orderly format as if you were going to present it to a prospective purchaser. Everything starts with this information.

Make sure the financial statements of the business are current and as accurate as you can get them. If you're half way through the current year, make sure you have last year's figures, and tax returns, and also year-to-date figures. Make all of your financial statements presentable. It will pay in the long run to get outside professional help, if necessary, to put the statements in order. You want to present the business well "on paper". Pricing a small business is usually based on cash flow. This includes the profit of the business, but also, the owner's salary and benefits, the depreciation, and other non-cash items. So don't panic because the bottom line isn't what you think it should be. By the time all of the appropriate figures are added to the bottom line, the cash flow may look pretty good.

Prospective buyers eventually want to review your financial figures. A Balance Sheet is not normally necessary unless the sale price of your business would be well over the $1 million figure. Buyers want to see income and expenses. They want to know if they can make the payments on the business and still make a living. If your business is not making a living wage for someone, it can be a very difficult sale. Yet, you may be able to find a buyer who is willing to take the risk, or an experienced industry professional who only looks for location, etc., and feels that he or she can increase business.

The big question is not really how much your business will sell for, but how much of it can you keep. The Federal Tax Laws do determine how much money you will actually be able to put in the bank. How your business is legally formed can be important in determining your tax status when selling your business. For example: Is your business a corporation, partnership or proprietorship? If you are incorporated, is the business a C corporation or a sub-chapter S corporation? There are some new tax rules, effective January 1, 2000, that impact certain businesses on seller financing. The point of all of this is that before you consider price or even selling your business it is important that you discuss the tax implications of a sale of your business with a tax advisor. You don't want to be in the middle of a transaction with a solid buyer and discover that the tax implications of the sale are going to net you much less than you had figured.

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