



THE MADDUX BUSINESS REPORT - ARTICLE

Spruce Up Your Business Before Offering It For Sale

By Guest Columnist: John L. Nelson, President, Nelson Consulting, Inc.

1. Wisdom! Spruce up your business before offering it for sale. Schedule a session with your CPA, banker and/or a well credentialed *Business Intermediary* to discuss your historical and projected (1 to 5 years) financial statements. The typical business valuation, an estimate of the worth of your business, is based on a number of factors - some quantitative and some qualitative. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a major component. Learn all you can about EDITDA. Other influences include growth, profits, cash flow, ratios, markets, management and current financial market conditions. Get ready for enlightenment.
2. Time the sale of your business to your personal advantage. For example, today's financial markets are bloated with cash set aside by premier capital and strategic buyers to fund acquisitions and mergers. Consequently, offering prices are sky high. However, a down turn in the financial cycle will inevitably occur. Time your sale to coincide with a rising business cycle - buy low and sell high!
3. Once a year, secure an *Independent Market Valuation* to determine the current market value of your business. A few companies, such as Nelson Consulting, Inc., offer an *Independent Market Valuation* on a selective basis at no cost. Annual updates to the *Independent Market Valuation* can be extremely useful, influencing your timing.
4. Many business owners operate their companies like a personal checking account, maintaining low cash balances and minimal appreciating assets. If you really want to significantly influence the future value of your business, be prepared to modify some of your business practices, spending habits and financial management based on your advisors' recommendations. Trust me. Your payday will be significantly larger. When you decide to sell, create a *Confidential Auction*, forcing multiple buyers to actively compete to acquire your business. The probability of optimizing selling price, terms, treatment of key personnel, and payment guarantees increase in direct proportion to the number of qualified buyers a *Business Intermediary* can place at the negotiating table.