

PREPARING YOUR COMPANY FOR A PROFITABLE TRANSACTION

Your products, customer base and cash flow may draw the attention of buyers.
Yet prospects will evaluate virtually every aspect of your company before turning thumbs up.
To achieve that goal, you may have some preparation to do.

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#1

Improve Your Financial Picture

- Focus on profitability
- Have your CPA prepare Reviewed Statements
- Recast your financials to transfer perks to profit
- Limit your “off income statement” perk
- Clean up your balance sheet
- Reduce debt
- Monetize “excess assets”

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#2

Address Key Dependencies

- Transfer client/customer management and relations to others
- Document the amount of time you're away from the company
- Document the percentage of business from major clients/customers and if needed implement a plan to reduce dependency
- Determine if you are "being held hostage" by any employee or vendor and introduce a plan to minimize the dependency

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#3

Demonstrate Stability

- Implement incentives for key employees so they'll stay on board through a transition, i.e. deferred compensation plans, retention bonuses
- Execute Non-solicitation Agreements with key employees
- Document the percentage of business from repeat clients/customers and recurring revenue sources
- Record longevity of customer/client accounts
- Record employee turnover and longevity
- Update contracts with clients/customers
- Survey your clients/customers



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#4

Protect Your Assets

- Execute Employee Agreements that are transferable
- Trademark your name and logo
- Secure related website URLs
- Update contracts with key vendors and suppliers

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#5

Systematize Your Business

- Document your business processes
- Document your new business systems
- Clean up and utilize your customer and prospect databases

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#6

Show Your Growth Potential

- Develop a growth plan
- Estimate cross-selling opportunities with existing clients/customers
- Develop a disciplined approach to new business



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#7

Get Your House in Order

- Update your website
- Tidy up the premises
- If appropriate, get uniforms for your staff
- Update your stock book and corporate minutes
- Organize files
- Update your Employee Handbook; if you don't have a handbook, develop one
- Have your attorney perform due diligence of your corporate documents

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#8

Confront Potential "Deal Killers"

- Determine if your lease is an asset or a liability and address accordingly
- Clean up any environmental issues
- Resolve any pending litigation
- Review your corporate structure and by-laws

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What are the “VALUE DRIVERS” that can enhance the value of your business?



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10 VALUE DRIVERS

- Consistent cash flow and profits
- Strength and experience of senior management and sales team
- Retention of key employees — incentives for personnel to stay
- Longevity and diversity of accounts
- Sales trends and growth potential
- Sales personnel and systematic approach to new business development
- Competition and barriers to entry
- Reputation and goodwill
- Lack of debt and long-term obligations
- Financial controls

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What Buyers Look For

1. Reasonable price and terms
2. Living wage
3. Return on investment
4. Books and records provable and current
5. SBA/third-party financing
6. Lease
7. Covenant not to compete
8. Appearance of facility

QUESTIONS WE CAN HELP YOU ANSWER?

What is your business worth today?

What can it be worth when you are ready to sell?

What are the next steps in the process?

Contact Gateway for Opinion of Value Report
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