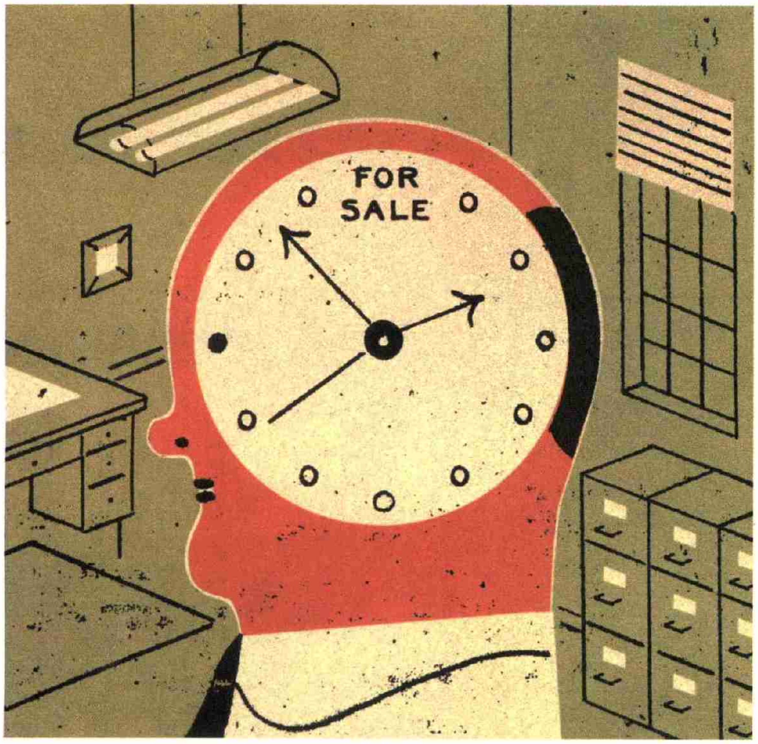
Entrepreneur

Date: Wednesday, October 01, 2014
Location: IRVINE, CA
Circulation (DMA): 657,097 (N/A)
Type (Frequency): Magazine (M)
Page: 110
Section: Main
Keyword: B2B CFO, LLC



Q&A

| ASK THE MONEY GUY |

Reading the signs

Q: After five, 10, 15 years—what's the best time to sell my company?

By Joe Worth

A: I wish it were that simple. All I can say for sure is that the best time to sell your company is when you're emotionally ready and your business is valued high enough for you to reach your financial goals.

Still, even founders who believe they're ready to sell rarely are. I've heard from multiple investment banks and M&A firms that of all the business owners they meet with who wish to sell, only 2 or 3 percent are truly ready, and the vast majority of these companies will never be viable candidates for a profitable sale. However, about 20 percent are "nearly" ready.

Taking care of a few key matters will make your company more attractive to buyers and, more important, help you get the most out of your business.

- **Increase EBITDA.** Companies are usually valued at and sold at an amount equal to, or a multiple of, earnings before interest, taxes, depreciation and amortization. To increase that figure, you'll need to diversify (both products and customers) and hold costs down to boost gross margins and profits—you know, the hard stuff you and your team struggle to figure out every day.

- **Install solid managers.** One of the most important factors to potential buyers is the strength of the management team. If the business is overly reliant on its owner/CEO, it probably isn't ready to sell (or will be valued lower). Accordingly, as the owner, you'll want to start removing yourself from daily operations and turn your attention toward growing the business and boosting EBITDA.

- **Pay for audits.** Buyers are wary of financial statements that have not been audited—or at least reviewed—by an outside CPA firm. If you're contemplating selling, ideally you should have at least three years of audited financials prior to the sale.

- **Document your processes.** Think like a franchisor selling franchises to complete strangers. To do that, you'll need to list every detail and process involved in your business, so that potentially anyone could operate it. This will result in a stronger, more stable, less risky company for any buyer—and for you in the meantime.

- **Get real.** Professionals who sell businesses say the reason most deals fail is that the owner can't let go of unrealistic expectations of the company's value. Pay for a formal figure from a certified valuation professional, many of whom are members of CPA firms.

By working to make your business attractive to buyers, you'll end up with a more efficient and better-run company. You'll increase your cash flow—and sleep better at night as well.

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