

It's Your Market: Position Yourself for a Profitable Exit When Selling Your Business

Good news, business owners: it's a sellers' market. A confluence of factors—economic recovery, rising stock prices, low interest rates, and the long-term investor portfolio shift to business acquisitions—has created a perfect storm, but instead of getting battered by the waves, as in years past, this front can steer owners towards a profitable exit strategy. How can you capitalize on this opportunity?

But First...There's a Catch or Two

Owners are in an advantageous position to earn a premium, relative to previous historical trends, if...

They move quickly. As more Baby Boomers retire, many expect an "Exit Bubble." With a glut of businesses on the market, the advantage will likely shift towards the buyer.

They operate "well-run businesses." How do buyers judge whether a business is worth the investment? Experts in the Portland market say these factors are critical:

- The business must be professionally run.
- The business must have a good track record of earnings.
- The future of the business must be explained in a clear [business plan](#) supported by financial projections.
- Management must be able to demonstrate a good understanding of the marketplace and articulate how to capture opportunities and [minimize threats](#).

Assessments are often used to help businesses determine how various functions contribute to the

success of a business and identify areas of challenge. ([Use the AFT Assessment Tool now!](#)).

These are equally helpful when selling your business. With this assessment, you can get your affairs in order, making sure your business is as attractive as possible to buyers.

How Can You Attract Buyers?

When potential buyers walk into a business, what do they want—and need—to see?

1. **Sound Legal Positions.** Including:

1. A clear ownership structure.
2. Up-to-date board or management meeting minutes, available on demand.
3. Properly documented contracts.
4. Up-to-date corporate policies and procedures.

2. A Summary of Your Last *Three Years* of Financial Statements.

When putting the financial package together, explain all significant figures and changes from year to year. Keep adjustments to a minimum and consider the buyer's perspective when making them.

The fastest, most effective way to chase a buyer away is to have them believe you are deceiving them. Many small and even medium-sized businesses will not have independently attested [financial statements](#). In those cases, buyers may be interested in reviewing income tax returns to verify the financial information you provide. Be forthcoming and quick to deliver the material they need.

3. A Plan that Highlights the Changes You Foresee Over the Next Three to Five Years.

Give the buyer a look into the future. A balanced plan, which includes both the opportunities for and threats to the business, will make your forecast more credible. When buyers can picture future operational and financial success, well, you can't give a more convincing marketing pitch!

Building a [concise plan](#) with targets is helpful even if you are not contemplating the sale of your business. The plan gives direction and purpose to your company, prerequisites in being described as "well-run."

Preparing your business for sale is exactly like preparing your business to be well run. Professional practices, an understanding of your market, and a well-considered plan to capture opportunities will make your business profitable—and attractive to buyers. With more buyers than businesses, it's a great time to be a seller—for now! If you're considering an exit, it's a sound time to act.