

The Informative Seller: What your Buyers Need to Know

There is more to selling a business than just propping up a “for sale” sign and waiting for the offers to roll in. When preparing your business for sale, you must collect a vast amount of data and make it available to buyers. A well documented business sells! The following is a list of information you will need to compile to present to potential buyers:

Two to three years of financial statements. It is safe to assume that any interested buyer will want to know about the financial status of your business: what it makes (if anything); depreciation, staff wages, owner's wages, and tax liabilities. Collect your business's financial information, including: profit and loss statements; balance sheets; depreciation schedule; staff wages and expenses (benefits, etc.); owners' wages and expenses; and owners' personal tax returns. This will provide a potential buyer with a real bird's eye view of where your business's costs exist, and will help to make their decision.

Year-to-date sales figures. A buyer will want to see how your business has grown over the years (or months). Monthly tabs allow the buyer to see when what time of year is more active than others.

Current rent and outgoing expenses. These tie into financial statements. Does your business rent or lease office space, or equipment? These monthly expenses impact the bottom line and must be provided to a potential buyer.

Details on managing personnel. You know your employees best. Some buyers plan to maintain current staff; some bring in their own people. In either case, you should provide a potential buyer with details on turn-around, staffing issues and recruitment processes.

Owners' hours. Do you work 80 hours a week? Do you have to? A potential buyer will definitely be interested in knowing how much supervision and face time he or she must invest on a weekly basis.

Plant and equipment schedule. Let potential buyers know about vendors, suppliers, and maintenance schedules on any equipment related to the business.

Estimate of stock. Stock and inventory is typically figured in the sale price of the business. If you're letting inventory levels decrease due to the impending sale, let potential buyers know. When the doors reopen, they'll need to be stocked and ready for business.

Copy of current lease. Serious potential buyers will need to see a copy of the lease. They will also need to know if it will be transferable or if they will need to renegotiate.

Hours of operations. How often are you open? A potential buyer needs to know what your regular schedule is and what your customers expect.

Licenses required. It will be the buyer's responsibility to maintain licenses. Let the interested buyer know what type of licenses, fees, subscriptions etc. that will be required to maintain the business.

Ongoing advertising. What do you spend on advertising? Do you place newspaper ads or radio spots? Do you simply go door to door? What is the return on that investment? These will all be questions an interested buyer will likely ask. Be prepared to provide answers.

Selling a Franchise? A buyer will need to know what type of transfer fees will be required, monthly royalty fees and how much corporate training is mandatory when they purchase the business. Typically training is done at the franchises corporate headquarters, which could mean air travel, hotel and meals for the buyer for several weeks at his or her expense.

This information will be crucial for a buyer if they intend to use a financial institution for lending purposes. Providing potential buyers with everything they need will make the process easier for them and quicker for you.

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