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What to Consider When Selling Your Business

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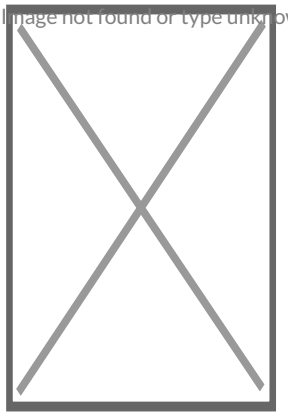

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Special to Business in Savannah

With the beginning of a new year, some business owners consider selling their business. While this is never a simple or easy process, there are often external considerations which prompt this decision. Perhaps there is no viable succession plan, the owner may feel the timing is right to sell, or perhaps there's an unsolicited offer which seems interesting. Whatever the reason, there are many factors to consider and several ways to position your business to achieve maximum success and to help the transaction go smoothly.

The first step is to assemble a team to help develop and execute a plan. A team of trusted advisors can help achieve a fair value, assist in facilitating the sale, and give the owners peace of mind. If you have accountants and legal counsel who have been involved with your business over time, their archival knowledge will play a critical role in putting together a deal. If you need professionals who have experience in large transactions, you should expand your team. A good team of advisors will listen to you, create a sound strategy and persuasively advocate for your interests throughout the process.

Selling your business can be a lot like selling your home. Think about it: if you've ever sold your house, it's invariably in the best shape it's ever been in right before you sell it. Likewise, you should get your business “house” in order. While

you know your business inside and out (including where potential problem areas are), how does it look to a cautious buyer or investor?

To avoid major hassles and increase the value of your business, carefully review key business processes, assets and contracts. Be sure to pay close attention to employment contracts, financial records and reports, software and IT licenses, intellectual property arrangements, the business's legal structure, and family ownership arrangements.

In order to maximize your benefit, you should carefully consider the right time to sell. Buyers expect to see verifiable financials, often over the past several years, so be prepared to show invoices, deposit records, and bank statements. It doesn't matter how successful your business has been in the past; what matters is how viable it is now and how sustainable it will be in the future. It usually takes three to four successful years to demonstrate the viability and sustainability a prospective buyer will want to see.

In addition to pre-sale considerations, business owners should also plan ahead for what will happen after the sale. Have you given thought to how you will invest the proceeds for your long-term personal financial goals? Are your estate planning documents in order? Will you provide any compensation from the sale of the business to your loyal employees? Do you want to continue to have a role in the company after the transaction closes as an employee? Almost certainly, key principals will be asked to sign non-competition and non-solicitation agreements. Are you willing to step away from a business you have known intimately for years?

Finally, similar to selling your home, be aware of seller's remorse. Business owners become very attached to their companies — especially to the people who have helped make them successful — and there's no guarantee a buyer will continue to run your business as you did or even keep on the same employees you hired. Make time to reflect on those issues early…before a contract is signed. Between signing the contract and closing the deal, there will be so many details to address that you may not have time for reflection. And you will be a party to a binding legal agreement.

You've invested a lot of time and energy into building a successful business and selling that business will be a tremendous task. Early and careful planning will be worth the time, effort and expense.

John G. Lientz is a partner with Bouhan Falligant whose practice involves corporate transactions, including mergers and acquisitions, commercial real estate matters, banking, and general corporate representation. He can be reached at 912-644-5786 or jglientz@bouhan.com.

Practice Areas

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