Inflection 360

A SELLER'S GUIDE

The Top 10 Strategies to Sell Your Business for Maximum Value

What buyers look for, and how to prepare before you go to market.

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A NOTE FROM MICHAEL

Preparation is what buyers pay for.

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For most owners, selling a business is the largest financial event of their career. Yet many go to market with the business as it is, assuming strong past performance will speak for itself. It rarely does.

I have spent my career on both sides of the table: first as an investment banker, then leading acquisition programs as a corporate executive, where I reviewed hundreds of businesses. From the buy side, it is obvious within the first few conversations whether an owner has truly prepared. Prepared sellers earn stronger offers, cleaner terms, and faster closings. Unprepared sellers give buyers reasons to lower the price.

The ten strategies in this guide are the ones I see make the biggest difference. Most of them take time, so the best moment to start is well before you plan to sell.

INVESTMENT BANKING
Donaldson, Lufkin & Jenrette

BUY-SIDE M&A LEADERSHIP
Western Dental Services,
US HealthWorks

EDUCATION
Wharton (BS Econ),
Chicago Booth (MBA)

12–24
MONTHS

Start early. Ideally, begin preparing one to two years before a sale. That gives you time to clean up financials, resolve issues, and show buyers a track record that reflects the improvements you have made.

01 Work with an advisor who will tell your story

Some brokers and advisors collect standard information and present it to buyers the same way for every business. That cookie-cutter approach misses what makes your business different, and buyers will not do that work for you.

Work with someone who understands the real drivers of your value and knows how buyers evaluate a business. An advisor with buy-side experience can anticipate the questions buyers will ask and position your business to answer them before they come up.

> ACTION STEP
> Ask any prospective advisor how they would position your business, and which buyers they would approach first.

02 Get your financials in order

If you have not invested in detailed monthly financials, now is the time. Before a buyer dissects your performance, you should do the same.

Review expenses by category, month by month. Does anything look out of place? Ask the questions and get answers now. A simple bookkeeping error can make performance look very different from reality, and unexplained swings erode a buyer's confidence. Many sellers also commission their own quality of earnings review so there are no surprises in due diligence.

> ACTION STEP
> Pull 24 to 36 months of monthly financials and flag every number you could not explain to a buyer.

03 Track the metrics that drive value

What are the key factors that drive your business? Buyers want reliable metrics that show how revenue and margins are generated, not just the totals.

Present this data monthly so a buyer can see trends, seasonality, and where the opportunity lies. Depending on your business, that may include revenue by service line or location, customer or patient volume, payer or customer mix, revenue per provider, and customer concentration.

> **ACTION STEP**
> Choose the five to seven metrics that best explain your business and start reporting them every month.

04 Resolve legal, regulatory, and compliance issues

Too often, owners hesitate to commit resources to regulatory and compliance matters. Requirements vary widely by state and by the services you provide, but you need to know every requirement that applies to your business and correct any deficiencies before going to market.

Buyers are wary of potential legal exposure. At a minimum, they will lower the price to cover the risk; at worst, they will walk away. Review licenses, permits, billing practices, key contracts, and leases, including whether they can be transferred to a new owner.

> **ACTION STEP**
> Have counsel conduct a pre-sale compliance and contract review so issues are fixed on your timeline, not the buyer's.

05 Document personal and non-recurring expenses

Many owners run some personal or discretionary expenses through the business, such as vehicles, insurance, or phones, and most businesses have occasional one-time costs. What is appropriate is a matter for you and your accountant.

When it is time to sell, these items need to be clearly identified and documented. Buyers will add back legitimate, well-supported expenses when calculating earnings, which increases value. Adjustments that cannot be supported are usually discounted or rejected.

> ACTION STEP
> Build a schedule of add-backs with supporting documentation for each item, reviewed by your accountant.

06 Right-size your cost structure

Buyers typically pay a multiple of earnings, so every dollar of ongoing cost you remove can add several dollars to the price. Many owners leave inefficiencies, including overstaffing, for the buyer to fix. When that happens, the buyer captures the value instead of the seller.

Make these changes thoughtfully and well ahead of a sale, so the improved results show up in your financials over several months. Buyers will scrutinize last-minute cuts, and reductions that weaken service or growth capacity will hurt value rather than help it.

> ACTION STEP
> Review staffing, vendors, and overhead at least a year before going to market.

07 Be clear about your transition role

Most sellers want to leave soon after closing, and many buyers prefer the same. But an immediate exit can reduce value when relationships, knowledge, and goodwill are tied closely to the owner.

Be honest with yourself and with buyers about whether you are willing to stay on in a transitional role. A well-defined transition can increase buyer confidence, support deal terms such as earnouts, and provide additional compensation while reducing your day-to-day management burden. The less the business depends on you, the more it is worth.

> **ACTION STEP**
> Start delegating key relationships and responsibilities now, and decide what post-sale role you would accept.

08 Engage your lawyer and accountant early

Your lawyer and accountant should be partners in an efficient process that maximizes value. Speak with both before you begin, and ask each to outline their expected role, scope of work, and estimated fees.

Resolving this up front keeps them focused and working efficiently. Involve your tax advisor early as well: deal structure, such as an asset sale versus a stock sale, can significantly change what you keep after closing.

> **ACTION STEP**
> Ask your accountant to model after-tax proceeds under different deal structures before you set price expectations.

09 Run the business as if you will own it long-term

Sellers often become consumed by the sale process, and that lost attention can hurt the purchase price or even cause a deal to fail. A sale can take six months or more, and if the business is not actively managed during that time, revenue and profits can slip.

Buyers will reduce their offer if performance declines. If it declines substantially, they may walk away, leaving you with a less valuable business to manage. Keep your focus on operations and let your advisors carry the day-to-day work of the process.

> ACTION STEP
> Set monthly performance targets for the sale period and assign a team member to keep operations on track.

10 Put a bow on it

Present your business in a well-organized, professional package. Financials should be current and easy to understand, metrics should be meaningful, and you should clearly communicate both the history and the future opportunities of the business.

You know your business better than anyone, but the right advisors make sure that knowledge reaches buyers clearly and credibly. Diamonds in the rough are great, but that usually means the buyer got the deal. Your business should shine from the first conversation.

> ACTION STEP
> Prepare a confidential information memorandum and an organized data room before you contact buyers.

PRE-SALE CHECKLIST

Are you ready to go to market?

- [ ] Engage an advisor who understands how buyers value your business
- [ ] 24 to 36 months of clean, monthly financial statements
- [ ] A monthly dashboard of the metrics that drive value
- [ ] Licenses, compliance, contracts, and leases reviewed and in order
- [ ] A documented schedule of add-backs
- [ ] Cost structure reviewed and improvements reflected in results
- [ ] A clear plan for your post-sale transition role
- [ ] Legal, accounting, and tax advisors engaged, with scope and fees agreed
- [ ] A plan to keep the business performing throughout the sale
- [ ] A polished information package and organized data room

Let's talk about your exit.

Whether you plan to sell next year or are just starting to think about it, Inflection 360 can help you understand what your business is worth today and what it will take to maximize value at exit.

Schedule a consultation

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