

Selling Your Business, Part 2: Where to Start?

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(This is the second of a series on selling your business. To read Part 1, a first-hand account from the CEO at a central Pennsylvania business that retained Barley Snyder as legal counsel in the sale of the family business, [please click here.](#))

While selling a business can be a difficult process, Barley Snyder partners [Jeremy Frey](#) and [Paul Mattaini](#) - who headed up the firm's effort to [guide the sale of Hanover-based R.H. Sheppard](#) in 2017 - point out that there are things to consider and actions you can take well in advance of a process (particularly since some actions take some time to accomplish) to expedite and ease the process of selling your company if and when the time comes to do so.

The list of things to consider is a long one, but here are a few of the most important things to address:

--Is this the time to sell (or to take some other action)? The question is not "if" an owner will leave a business at some point, but "when." In the case of any business, the business provides many things for the owners of the business - not all of which are financially-based. For example, what will the owners do after they sell the business? That business often provides the owners with such things as an identity, professional challenge and stimulation, a social network and jobs for family members. Selling the business is more than dollars and cents, it's often a very large life change.

--Obtain a business valuation. Find out what your business is worth (assess the business for repeatable cash flow or "Adjusted EBITDA" - most businesses are valued on a market/industry multiple of this measure) from an objective, outside source. That valuation will then provide the basis for gauging buyer offers and provide an idea of what owners can expect financially from a sale, in terms of an after-tax waterfall and the impact on the owners' financial planning.

"That's a starting point," said Mattaini, a partner in the firm's [Business Practice Group](#) who has worked on dozens of merger and acquisition deals. "A valuation, for many people, may be the first thing that they may want to obtain so that their value expectation is realistic."

--Have appropriate financial statements ready. Buyers generally require three years of financial information, including statements audited or reviewed by an outside accounting firm rather than internally-prepared statements. If you have not started this process and plan on selling your business in the next few years, it would be advisable to begin the financial statement process sooner than later. In addition, make sure that financial reporting systems are in place so you can produce data and reports that are likely to be requested by potential buyers.

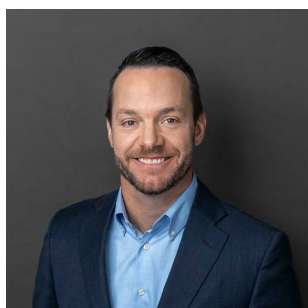
--Assemble an advisory team. Begin interviewing law firms and accountants, and determine whether you

will need an investment banker (which is generally advisable). Inform your advisory team of your priorities early in the process so you can use their guidance and be prepared for the challenges that will arise during the process. M&A is a specialty area and you need an attorney with experience in this space, even if it is merely to assist your general counsel.

"Get out in front of any potential issues right away," Frey, the chair of Barley Snyder's Business Practice Group, said. "You should talk through any potential issues with your advisory team at the outset so that you are all prepared to deal with them if and when they arise. Most issues can be addressed, but it may take time to find a solution. If the issues do not come up until late in the game, you may not have the necessary time to address them."

Coming soon: More tips on preparing to sell your business.

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