



PREPARING A COMPANY FOR SALE: KEY STEPS

What steps can you take as you move toward selling your company?

Making your company market-ready can be a journey with many steps that take time. But getting started now can ensure you are ready when it's the right time to sell and will usually improve performance in the interim.



In this edition of *Executive Issues & Insights*, we explore key insights drawn from the extensive C-suite and Board experiences of the NextLevel Team on the key steps to prepare your company for sale.

NEXLEVEL CASE STUDY

NextLevel helps a financial services firm improve performance to create leverage prior to sale

The owners of a closely held financial services firm wanted to sell the company. But first they needed to improve the company's financial performance by strengthening their finance team and investing in critical systems and processes. These improvements would provide access to the data necessary to manage company performance, with the goal of supporting a higher valuation in a sale.

A NextLevel team member was engaged in an advisory role to work closely with the owners and company executives to perform an assessment, make recommendations, and execute those recommendations. The first change was to realign finance department staff responsibilities so as to best utilize the planning and analysis capabilities of each team member. The strengthened finance team was then able to do better cash management and reporting, which led to improved cash flow. The NextLevel team member also

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NEXLEVEL INSIGHTS

Prepare for inspection

Running a business can be all-consuming; some cleanup tasks can get put off. But an organized office or plant presents a business that is professionally run. Organize your physical space as much as possible, and also begin the long process of getting your documents in order. Include HR records, tax records, liens, compliance and financial records, pension records, process documentation, intellectual property records, licenses, drawings, patents and registrations, and so on, making sure they are as orderly as possible.

Form relationships with investment bankers and brokers

Finding the right partner is an important part of the journey, so evaluate potential investment bankers and brokers with an eye to which ones have the market savvy in your field and with whom you can best collaborate. Initial discussions with several qualified parties who might want to earn your business may also help you gain knowledge about potential buyers and what is most important to them.

Highlight what makes you competitive

How reliable are your books? Are you GAAP compliant and have you had audits? A minimum of two years of audited financials is usually expected and most potential buyers will want to look back at the EBITDA trend for the last several years. Clean up your financial controls and reports so all financial systems truly reflect the business and operation and you can support the value of your enterprise.

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helped provide improvements on a range of finance processes. In addition, he assisted in the development of a corporate plan and budget that defined priorities at the corporate and department levels and established a process for tracking progress and making adjustments.

As a result of more focused reporting, broader accountability for financial results, and improved finance processes, the owners were better able to improve the performance of the business. The company demonstrated lower operating costs and the ability to actively manage spending, which enabled it to deliver an EBITDA margin of 10 percent, in line with the company's target. The improved and more predictable financial performance provided greater visibility of the company's value drivers and valuable leverage for the owners toward a sale process that eventually led to a management buyout and an employee ownership structure.

**“PREPARING A COMPANY FOR
SALE IS A JOURNEY.”**

Taking the right steps now will not only lead to a better sale process when the time comes but will also improve company performance today.

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Begin a comprehensive data repository

Pull together supporting data and prepare the statistics, charts, and graphs that tell the story of your company and the reasons for its value. Also start collecting the documents that provide the details of your company on paper that will go into your data repository. This can be a long process; starting early will save valuable time. Make sure the important messages are consistent, and continuously update the data.

Consider an HR plan for the sale

An incentive plan for key employees that might be announced when you formally launch the sale process could help ensure your company has the best chance of continuing to achieve its growth targets through the closure of the sale. Additionally, make sure all payroll and HR processes are in line with best practices in order to avoid or minimize any litigation that could disrupt the sale.

Be transparent

While you want to clean up your business as much as possible, there will always be outstanding issues that are on the way to being solved. Be prepared to disclose and discuss the solutions and works in progress with potential buyers. During the discovery phase you will be pressed for details on every possible challenge. If anything has been held back, it will come to light and undermine your credibility, so it's best to be upfront.

KEY STEPS TO PREPARING YOUR COMPANY FOR SALE

- **Your physical space and documents:** Are they organized and ready for inspection?
- **Your relationships with investment bankers and brokers:** Have you initiated discussions to learn about the market?
- **Your competitive edge:** Have you highlighted what makes you unique?
- **Your data repository:** Are you collecting supporting documents for prospective buyers?
- **Your HR plan:** Are you following best practices to ensure a smooth transition?
- **Your transparency:** Are you prepared to disclose and discuss all outstanding issues?

More Information

To learn more about how NextLevel can help you take the key steps to prepare your company for sale, call us at (800) 833-NEXT or email info@nlbev.com.

