

Attributes that make a business more valuable are quite different than those that make it more salable :

MORE SALABLE

Future opportunities – underdeveloped markets, changes in competition, anticipated regulation changes, all of these things can make your business more interesting to more buyers

Quality of financial reporting – reporting that can easily be audited, is consistent and credible, enhances confidence in buyers. For example, most accounting packages, if set up properly, allow for custom reports to be run, giving buyers great insight into the company

Asset sale vs Share sale – Assets are generally much easier to sell than shares, and may also improve the sale multiple at the same time

Seller financing – Financing is one of the major reasons for failed transactions, so if the Seller assists with financing it can really help the probability of completion

Pricing – As in any listing, having a realistic price can be key to attracting the most buyers possible. Many seasoned buyers will quickly pass on the opportunity if they think it is overpriced

Transparency – If Buyers perceive the Seller to be open and transparent, confidence is higher. Disclosing all relevant information in a timely fashion is key

Elimination friction points – In advance, clear up any conflicts with customers, employees, suppliers or shareholders

ENHANCING VALUE

Attributes that make a business more valuable are quite different than those that make it more salable :

MORE VALUABLE

Consistency in financial results – The fewer variations to explain the better. Consistent growth in earnings breeds confidence and adds value

Hard assets of good quality – Tangible assets make the purchase much easier to finance, and enhance how much leverage is possible

Ability of company to operate effectively without the owner – Not always possible, but everything the Seller can do to enhance this, the higher the value

Well trained and reliable employees wanting to stay – Buyers worry out about employee turnover. Remove this fear and they will pay more

Competitive positioning – superior competitive positioning implies some kind of sustainable advantage vis a vis competitors.

Contracts for future delivery of goods and services – Clearly improves the predictability of future revenues

Stickiness of revenue and/ or customer relationships – for example, products and services that are complicated or expensive for customers to change suppliers

Quality of financial reporting/ assurance – Having a reputable bookkeeper adds value and for assurance, a company may consider a review engagement or audit to produce highly credible financial statements.