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## Maximizing Value by Staging your Business for Sale:

### Staging is not just for homes it's for businesses

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For those who haven't seen a home-staging TV show or sold a house recently, staging can transform a home to attract a larger pool of buyers and ultimately a premium price. Business owners who decide to sell must realize that staging their business for sale will deliver a similar result.

However, unlike home-staging, staging a business for sale should commence at least one, preferably two to three years prior to beginning the sale process. The following are eight considerations when staging a business for sale:

➤ **Customer, Supplier and Product Diversity.** If the business relies on too few customers, suppliers, products or services, buyers will view this negatively. Concentration issues are high risk factors for most buyers. High customer concentration will almost certainly result in a lower valuation. Conversely, if none of the customers account for more than 5% of annual sales, buyers will view this positively. Alternative suppliers, expanded product lines and service offerings are desirable attributes.

➤ **Strong Management.** Buyers will examine the quality and extent of the management team and other personnel. Competence and longevity are key considerations. This is particularly important if the owner is exiting the business after a short transition period. If the owner is the business, so to speak, then much of the value is leaving when the owner leaves. Professional buying companies called Private Equity Groups (PEGs) often won't consider businesses without strong management in place. There are over 4,000 of these firms in the U.S. alone

and they are flush with funds for acquisitions.

➤ **Reliable Revenue.** A stable customer base that produces repeat sales is preferable to businesses that rely on constantly acquiring new customers or winning bids to maintain its sales levels. Revenues committed under multi year contracts are even better. Buyers will pay more for recurring revenue because their risk is reduced. Any opportunity to infuse the business with more reliable revenue streams is worth the time and effort.

➤ **Innovation and Differentiation.** The market rewards proprietary products, technologies and innovative services. Try to innovate in every area of the business. Even a commodity type business, can find areas to differentiate itself from similar companies in its industry. For example, perhaps a unique service delivery process can be implemented. "Me too" businesses will not attract the buyers or the valuations that a unique offering will. Differentiate!

➤ **Normalized Financials.** Financial performance is a key driver of market value. Most privately owned businesses are operated to minimize taxes and support the owner's lifestyle with little thought given to the eventual sale of the company. Normalizing the financial statements to arrive at a true picture of the net worth and income of the business is imperative to maximizing the value realized in the sale.

➤ **Facilities.** The physical appearance of the business location is always important. Neat, well lit, freshly painted facilities indicate a pride in ownership that infers all aspects of the business are well managed. Companies making acquisitions tend to maintain high

quality facilities and are interested in adding other well maintained businesses into the fold. Individual entrepreneurs that plan to operate the business want to be able to envision working in the company's facility everyday.

➤ **Confidential Descriptive Memorandum.** Professional merger and acquisition firms wouldn't market a client's business without first doing front-end due diligence and preparing a Confidential Descriptive Memorandum to be used to market the business. Focus on preparing a description of the history of your company, products and services, personnel, equipment, computer systems, facilities, financial performance, etc..

➤ **Professional Team.** A professional merger and acquisition firm, your accountant and an experienced M&A attorney form the basis for a professional team. Working together your team will be able to maximize value and minimize taxes and legal risk and do so efficiently and confidentially so as not to disrupt the business in anyway during the process.

Business owners will ultimately exit their business. The goal is to do it on their terms and at a time that is of their choosing. The sale of a business is often a onetime event and among the most important financial transactions of one's life. It's important to realize that steps neglected in the pre-sale stage of the process will ultimately have a high cost if left unattended. So because the stakes are so high, thorough preparation and planning is essential to position a business to attain maximum value in the market.

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