

PREPARING TO SELL YOUR BUSINESS: SELL-SIDE DUE DILIGENCE

BY M. CLINTON FREEMAN, CPA

Everyone is going to exit their business at some point. Are you ready? If you are preparing to sell your business, consider the following steps for value creation:

High-level goals – Goal setting for the horizon helps you focus on where you are now, what you hope to achieve and what is holding you back.

Value gap analysis – It is important to determine the future value of the company in light of value creation, risk and potential future strategies.

Business attractiveness – Worldwide databases exist to score your business against similar organizations and establish a benchmark to improve value.

Personal readiness – It is important to assess your personal, financial and emotional readiness in terms of staying with or transitioning out of the business.

Business readiness – Businesses should prepare a pathway to move forward, which includes exit planning strategies and steps for a successful transition.

Value creation – A review of current financial health and forecasts help develop and refine a strategic plan.

After navigating the value creation steps, several items should be addressed as the market date approaches. Sell-side due diligence will help with any buyer concerns

about the reliability of financial data provided, which could derail the deal. This due diligence process includes improving Earnings Before Income Taxes Depreciation and Amortization (EBITDA) and strategic preparation on the seller's side. Leadership and cultural changes, the implementation of major cost-cutting or process changes and the loss of a major revenue source all need careful planning ahead of the market date. Tax items such as

unresolved state and local tax liabilities, worker classification (as an employee or independent contractor), uncertain tax positions and accounting method changes should also be considered in a deal-making scenario.

By performing sell-side due diligence, businesses can help to anticipate buyer concerns and satisfy expectations.



MEET THE EXPERT:

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