# LOGOSC Small Business Development Centers

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**www.SCSBDC.com**

**What to consider before selling a business**

Where is the value in your business?

* Cash flow
* Trained personnel
* Fixed assets (equipment, furniture, land, building)
* Vendor relations established
* Company name and reputation
* Marketing plan and marketing materials
* Customer list and customer contracts
* Growth in sales and market share

How do you arrive at a value for your business?

* How much debt can the business carry? Identify owner benefit and non-cash deductions and add to ordinary business income or loss.
* Use a multiple of 1-5 to arrive at sales price.

Prospective owners may consider these red flags.

* Negative retained earnings on balance sheet
* Old equipment
* High repair and maintenance expense
* Negative market trends
* Decreasing sales growth or flat sales
* High cost of goods
* Inconsistency in records as reflected on tax returns and other financial documents

What about financing?

* Be prepared for owner financing
* Banks don’t like to finance goodwill
* Norm is debt repaid in 5 years or less
* Everything is negotiable

When is the best time to sell a business?

* When sales are increasing and market trends are favorable
* When tax returns reflect positively on the business model and management
* When the buyer is a good match for the business and can add value

Ask interested parties to sign a non-disclosure or confidentiality statement before releasing company records. Be prepared to provide interested parties with tax returns, a current profit and loss statement, a balance sheet and a list of assets to be sold with the business. Use an attorney to prepare documents to transfer assets.