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THE MOST IMPORTANT SALE FOR ANY BUSINESS OWNER

Robert F. Gorton, CPA, MST, CFF, Shareholder

Regardless of the type of products or services you sell, your most important sale will ultimately be that of the business itself. Successful business owners are usually quite good at planning, budgeting and executing. However, the one area we have found that most business owners do not prepare for is their ultimate exit from the business. This is not without good reason – many business owners find it hard to see a point in time when they will no longer be actively running their business, so why plan for that? The real question is why not plan for it? Whether it is through some form of succession planning (selling to family, employees, etc.) or by selling to another organization, every owner will someday need an exit strategy. In this issue, we focus on simple ways you can begin to plan for this critical sale today.

In addition to the daily management of your business towards profitability for the current year, you need to focus on decisions that will increase the overall value of your company today and in the future. Understanding the difference between profitability and value is critical for you to be able to make those decisions. Profitability refers to the net income your business generates from operations currently. Value is how much your business is worth to a willing buyer. Some decisions affect both value and profitability, such as cutting certain expenses or increasing your gross profit margin. Others, such as growing revenues or expanding into new territories or lines of business may not improve profitability right away but tend to increase the future value of your business. Explore your options with experts who can guide you through the process so you clearly understand how they impact a prospective buyer's valuation of your business.

You should start preparing your business for a sale immediately, even if you are years away from a desired exit point. There are many measures that can be taken in the normal course of operating your business that will make it 'ready for sale.' For example, having sound accounting policies and internal controls to ensure you have accurate financial information is critical to manage your business. But it will also be important when a prospective buyer is performing due diligence thereby minimizing, if not eliminating entirely, any questions related to the accuracy of your numbers. Having your information readily available when a request is received gives you far more credibility than having to inform an interested party that you need time to pull that information together.

Another important step is drafting a detailed business plan to include narratives about your business objectives, including customer acquisition, marketing, sales and other strategies deployed as well as projected financial information with comparative historical numbers. Your plan should be updated frequently (at least annually) so it represents a current picture of your business. Having a solid plan

in place significantly reduces the time necessary to create a “sale book” when the time comes, plus it will serve as a roadmap for you as you guide your business towards greater growth and value.

The most important step a business owner should take is surrounding him or herself with a solid team of professional advisors including an attorney, accountant and possibly an investment banker. In addition to being experts in their respective fields, these individuals should have significant experience working on both sides of a business sale. This team should be whom the owner relies on to manage the process of selling the business. The worst mistake a business owner can make is to become distracted by all the requirements of selling the business and lose focus on the day to day management of the business itself. That could lead to an unfortunate reduction in the business’ value should these distractions impact the business’s ability to remain profitable.

The person or team leading the transaction process must be able to alleviate the burden of the endless distractions involved with the sale. This doesn’t mean the owner has no role in the sale; rather he or she should be heavily involved , but with the more complicated and high-level issues that will certainly require his or her attention. However, the process of providing required data to the potential buyer should be managed by the professional leading the project and supported by the company’s internal staff.

Your trusted advisors should begin preparing for the sale of your business as soon as you give the green light. That doesn’t mean they have to start “shopping your business” well in advance of the time you are ready to sell. They should simply help you focus on the necessary steps to start taking:

- Understanding your business’ value drivers
- Having accurate and reliable financial information
- Creating a thorough business plan
- Identifying your goals and objectives

This proactive approach will ensure that when the time is right and you are ready to sell your business, you will be well positioned to achieve your goals and objectives.

About the Author, Bob Gorton

Bob Gorton has provided strategic counsel at Waldron H. Rand & Company, P.C., since 2005. Bob works with clients’ management teams to analyze their businesses, formulate short-and long-term business, financial and tax plans based on that analysis, and implement steps to ensure their success. He is highly skilled in the field of mergers and acquisitions, and has advised many clients in this area on due diligence, negotiations and integration activities. Bob is certified in financial forensics and has significant experience in litigation support and forensic accounting.

Prior to joining Waldron H. Rand & Company, P.C., Bob served for five years as the Chief Financial Officer of a privately held company. There, he was responsible for all aspects of the company’s financial management, as well as human resources and general operations. He played a significant role in the company’s early-stage growth, in obtaining increased working capital funding and in the sale of a large portion of the company to a strategic investor. Prior to that, Bob spent 12 years as a Manager at a CPA firm, where he worked with client management to analyze their businesses and plan for the future.

Bob is a member of the American Institute of Certified Public Accountants (AICPA), the Massachusetts Society of Certified Public Accountants (MSCPA) and AICPA Employee Benefit Plan Audit Quality Center. He graduated from Babson College with a Bachelors of Science in Accounting and Suffolk University with a Masters of Science in Taxation. Bob lives in North Reading, MA, and has three sons, Nick, A.J. and Kyle.

About Waldron H. Rand & Company, P.C.

Waldron Rand, located in Needham, MA, provides unmatched accounting, auditing, tax, and consulting services to individuals and privately held businesses in a wide range of industries throughout the U.S. and globally.

At Waldron Rand, our business, tax and assurance experts are more than scorekeepers. We take a holistic approach to working with clients. For more than 100 years, we have been providing partner-level service to help our clients manage challenges and seize business opportunities. For more information or to personally speak with a partner, please call 781.449.5825 or email us at: advice@waldronrand.com.

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