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10 Tips to Prepare a Business for Sale from The Canadian Institute of Chartered Business Valuators

Big or small, businesses need time, value and a pre-sale plan

Toronto, ON, November 12, 2013: The Canadian Institute of Chartered Business Valuators (CICBV) has assembled 10 tips for positioning a business so the value and attributes buyers find most appealing are front and centre. Heartened by the activity in the business-for-sale and M&A sectors, many business owners in Canada are mulling their options. And careful pre-planning will be critical to a profitable sale.

"Business acquisitions such as *Loblaws*' acquisition of *Shoppers Drug Mart* or the sale of the *Washington Post* to Amazon's Jeff Bezos have attracted tremendous attention," said Sue Loomer, a Chartered Business Valuator and spokesperson for CICBV. "While these businesses are larger than most, their success in attracting buyers depended on many of the same attributes that any company must possess in order to pique interest, no matter their size."

Drawing on the insights from Chartered Business Valuators across the country, below is a list of recommendations that businesses can use to nurture the core traits that buyers will look for.

CICBV's TOP 10 LIST

1. **Develop a business plan**
   A formal plan identifies challenges and opportunities, as well as demonstrates that a business is ready for transition. The plan should address what makes a business unique from the competition and how it differentiates itself to ensure a competitive advantage. It should also include a viable strategy that speaks to sustainable growth.

2. **Build a solid management team**
   Owners need to make themselves redundant by building a management team that can maintain and build the business with the same commitment, skills, knowledge, and vision that made the business desirable to an investor in the first place. Non-competition and post-acquisition consulting agreements can also support a long-term sustainable business.
3. **Update information systems**
   Ensure there are reliable and cost-effective information systems that capture the data necessary to not only know how the business is performing now, but also inform next steps. Robust information systems give potential buyers confidence that they'll have access to accurate data that drives more informed decision making.
4. **Understand the market**
   Buyers typically pay the highest price in advance of a company hitting its peak growth cycle. Market research and really understanding the stage a business is at, relative to the industry's growth cycle, is critical.
5. **Understand the true value of a business**
   Often the value of a business is greater than its tangible assets. This premium represents goodwill, which consists of intangible attributes such as reputation, brand recognition and customer relationships. Understanding this true value will lessen the likelihood of leaving money on the table.
6. **Take action to increase value**
   Since value is often directly related to cash flow from operations, look at how this cash flow, as well as cost efficiencies, can be increased. Buyers will want to know about available cash flow going forward, not just historic levels. Then in determining a normalized cash flow, adjustments should be made for remuneration paid to owners, as well as discretionary personal and non-recurring expenses.
7. **Optimize the balance sheet structure**
   Value can be added by removing non-operating assets that are redundant to operations, minimizing inventory levels, and evaluating the condition of capital equipment and debt-financing levels.
8. **Do some housekeeping**
   Make sure all corporate statements and agreements, such as contracts, leases, insurance policies, customer/supplier lists and tax filings, are up to date and readily accessible.

9. **Maximize value by minimizing tax**
   Businesses need to seek tax advice early and structure their company appropriately before any major changes or investment status can take place. Plus, tax-planning strategies can increase capital gains exemptions, thereby improving the shareholder's bottom line.
10. **Think ahead**
    While it may not be top of mind, succession planning is important and it should be part of long-term goals for the company but also the business owner. For instance, if growth and increasing the value of the business is integral to retirement plans (it should be), then having a sense of who is in line to succeed is important. Buyers will want to see that plan.

And on a final note, if a sale of the business is being considered, certain buyers will be 'strategic' or special purchasers. Identifying and quantifying the benefits they could gain from the acquisition of your business will better inform the negotiations and potentially mean more money in the final transaction.

"Making sure a business is adequately prepared increases an owner's chances of getting the maximum value out during this market resurgence," concluded Ms. Loomer. "Recruiting the appropriate professionals, such as business valuators, lawyers, accountants and tax specialists, can make this journey more manageable."

About CICBV

The Canadian Institute of Chartered Business Valuators is the largest professional valuation organization in Canada, and is the sole administrator of the Chartered Business Valuator designation, providing education and accreditation to its members. Chartered Business Valuators are the only professionals in Canada specifically trained to value privately held businesses and intangible assets.

CICBV was founded in 1971 and is headquartered in Toronto with Board representation from across Canada. The CICBV oversees the qualification, certification, continuing education, ethical, professional and discipline standards of CBVs.

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Editor's Note: More information can be found in a series of video reports from CICBV that offer insights from Chartered Business Valuators across Canada. The reports focus on building value in a business, the role of business valuators, market conditions, and legal disputes in business.

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