

A Bird's Eye View

Key Attributes of a Highly Sellable Business

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Introduction

Whether you are preparing to sell near term or simply reviewing your options, understanding the key factors that buyers look for is essential.



The Attributes:

- 01 Financial
- 02 Performance
- 03 Organizational



Financial

Consistent EBITDA > 10% of Sales

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is a key indicator of a business's profitability. Consistently achieving an EBITDA greater than 10% of sales shows strong financial health.

EBITDA Greater than \$2 Million

A higher EBITDA attracts a broader range of potential buyers, including private equity firms.

Easily Verifiable EBITDA Normalizations

Clear and justifiable adjustments to EBITDA that reflect the true earnings potential of the business.

Annual Budget

Having a well-prepared annual budget shows that the business is well-managed and has a clear financial plan.

Defensible Financial Projections

Financial projections that are based on realistic assumptions and can be defended with data and analysis.

Limited Personal Expenses

Minimizing personal expenses charged to the business ensures that the financial statements accurately reflect the business's performance.

Reasonable Annual Capital Expenditures

Keeping capital expenditures at a reasonable level ensures that the business is not over-investing in assets that do not generate sufficient returns.



Performance

Growing Sales

Consistent and increasing sales figures over time demonstrate a business's ability to attract and retain customers. This growth can be achieved through various strategies such as expanding product lines, entering new markets, or improving marketing efforts.

Recurring Revenue

A business with a steady stream of recurring revenue is more attractive to buyers. This can come from subscription models, long-term contracts, or repeat customers.

Demonstrated Resilience to Economic Cycles

Businesses that can maintain performance during economic downturns are seen as more stable and less risky investments.

Defensible Market Position

Having a strong market position that is protected by barriers to entry, such as patents, trademarks, or a strong brand, makes a business more attractive.

Diverse Customer Base

A business that does not rely too heavily on any single customer is less risky. Ideally, the largest customer should account for less than 10% of total revenue.

Organizational

Well Organized and Up-to-Date Company Information

Having all company information well-organized and current makes the due diligence process smoother for potential buyers.

Strong Management Team

A capable and experienced management team can drive the business forward and is a key asset in a sale.

Experienced Senior Financial Staff

Having experienced financial staff ensures that the business's financials are well-managed and accurate.

Shareholder Alignment

Ensuring that all shareholders are aligned and supportive of the sale process.

Easy to Follow Corporate and Ownership Structure

A clear and straightforward corporate and ownership structure makes the business more attractive to buyers.

The Takeaway

Planning for the eventual exit of your business requires careful consideration and proactive steps. Initiating these efforts now is essential to maximize the value of your enterprise.

Establishing a competent management team, fostering a positive company culture, diversifying your customer base to minimize concentration risk, and enhancing operational sophistication are all pivotal strategies. Implementing these measures can significantly elevate the potential multiple at which your business could be sold, potentially resulting in a more substantial payout for you.

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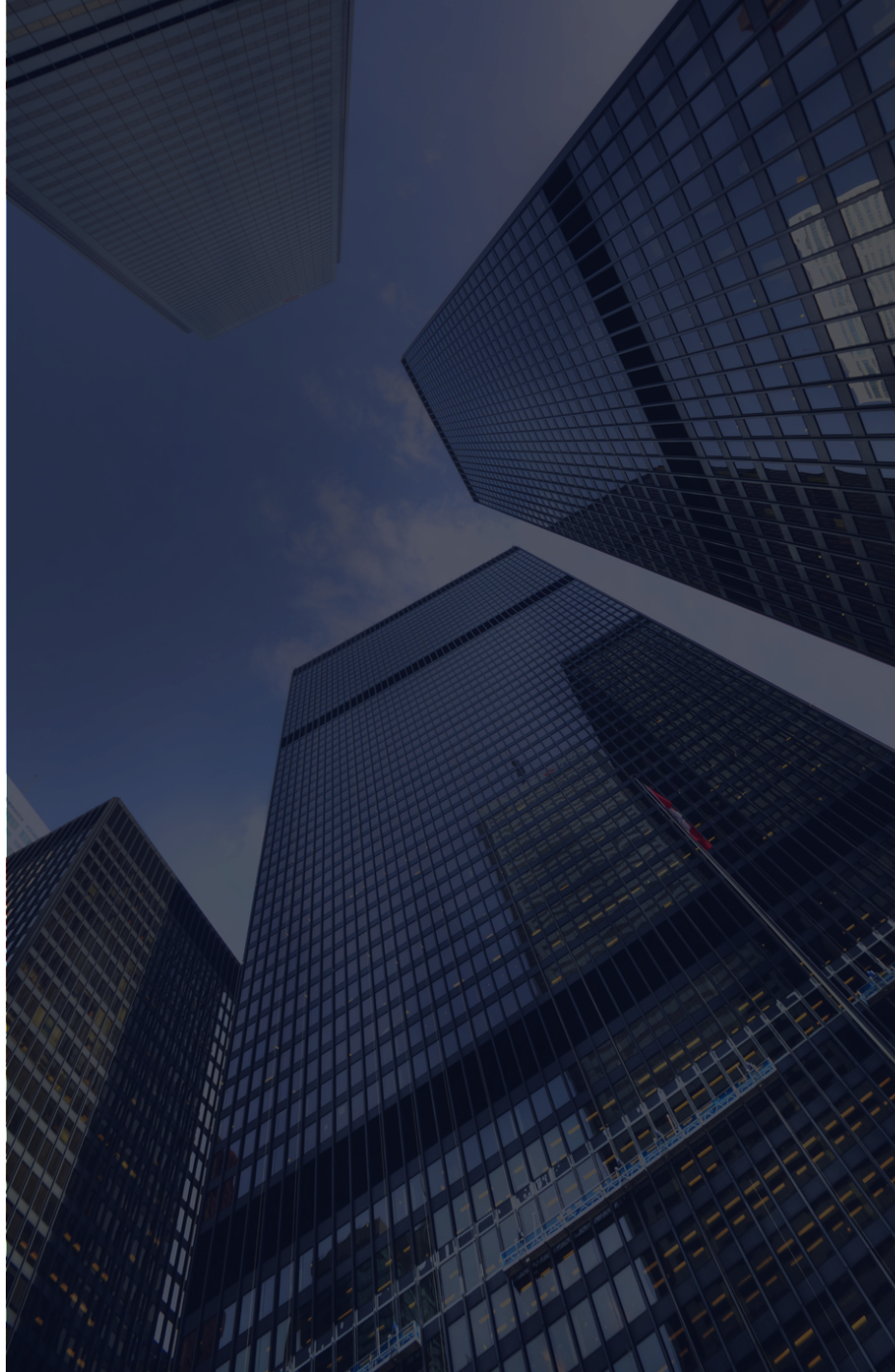
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