

What Prospective Buyers look for when Buying a Business:

- Provable & Timely Books & Records
- Reasonable Price backed up by an Appraisal
- Satisfactory Borrowing Leverage & Terms
- Sufficient Free Cash Flow
- FF&E (Current FMV, Not Overstated)
- Good Appearance & Lack of Environmental Issues
- A Scalable Platform that can be taken to the Next Level
- Real Estate
- Building Lease (Terms and costs in line)
- Training (By Owner for Appropriate Time)
- A Suitable Covenant Not to Compete
- A Good Reason for Seller to Exit
- Time is of the Essence
- No Last-Minute Surprises

This is an excerpt from our seminar, *Planning Your Exit from Business Ownership*; one section we spend a significant amount of time on is what potential buyers seek when buying a business. At Bankers Advocate, a third of our time is spent representing Entering Clients via a Targeted Search to find them a suitable business. By us having both Entering and Exiting Clients, it gives us a unique perspective into both side's of a transactions wants and needs.

In the bullet points above, we list what variables make up a typical Buyer's wants and needs when looking at an acquisition. Of course, some areas are more important than others depending on the type of buyer. But a common theme among all classes of Buyer's is readily seen.

Problems with a company's Books and Records is the #1 reason a business does not sell or sells at a deeply discounted price. Integrity is everything in the business world and if you can't believe the financials, what other problems are not readily apparent? On our initial visit with a potential Exiting Client, we always ask to see the internal financials. Many times we are handed only the Income Statement. When the Balance Sheet is requested, the response is too often "the (AR, Inventory, etc.) is not correct and our Balance Sheet is meaningless".

They fail to understand that any correction to the Balance Sheet will affect the Income Statement. Also, Borrowing is Balance Sheet driven. Thus buying a business is Balance Sheet driven.

We addressed Quality of the financials; now let's look at the Timeliness. Six month old data does not work for the buyer or their lender. Also, if getting information from the Exiting Party smacks of "pulling teeth", trust and credibility quickly erodes. If a Non Disclosures has been executed and the financial viability of the buyer has been confirmed (required), a business ready for market has a complete (sanitized) book ready to move the process along.