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Top Seven Mistakes Business Sellers Make

By A. Neumann & Associates, LLC 7/20/2023

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Have you heard that at any given time, a business owner knows precisely what his or her business is worth and sells for? This myth does not match reality. The time it takes to sell at a given value depends on factors as diverse as the industry, the size of the business, and the market conditions. The value of the business will be driven by the seller's financial records, the target market, and the marketing strategy.

A major life decision such as selling a business can be both exciting and daunting. Unfortunately, many business sellers make mistakes that cost them money or derail the sale altogether. Here are some of the most common mistakes to avoid.

1) Not maintaining peak operations.

It is vital that sellers continue operating their business as though it may never sell. It can take many months to sell a business. The last thing any seller wants is for their business to lose value when they are in the process of trying to sell it.

Imagine taking hours out of your day to set up negotiations, screen prospects, do introductions, or send reams of due diligence documents. It might work if you had someone in charge of the day-today operations of the business; otherwise, those activities would take away from your ability to perform, with an increased risk of jeopardizing a sale. The prospective buyer will want to see peaking sales and cash flow, and if they sense you slipping, they will strike at the opportunity to undercut your return.

An M&A advisor can help take care of the details of the sale, giving you peace of mind and allowing you to focus on what you do best: running your business.

2) Not conducting a logical exit strategy.

The exit plan we provide consists of proven, recommended steps that get deals to close. These include preparing, valuating, marketing, finding a qualified buyer, setting up introductions, soliciting offers-to-purchase, negotiating, helping the buyer with financing, as well as due diligence reports. We get you to closing, with the attorneys and the banks all working together to meet desired timelines. Our model requires no up-front retainers, ensuring we work hard to earn our success fee at closing.

3) Not being prepared.

Make sure your financial statements are up-to-date and accurate. Sellers should have several years of well-prepared records and legal and accoun.ng documents on hand. Every serious buyer will demand to review your financial records. Providing organized and easy to understand data will ease the transi'on.

The proper team to carry out the details of the transac4on will include our M&A advisory team facilita'ng, the transac*on a,orney drawing up the defini%ve agreement, and your tax specialist or financial planner ensuring you maximize your financial gains and reduce your tax obliga1on a2er closing.

Once you have decided on a change in lifestyle, be prepared to deal with the emotions that come

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up during the sale process and have a plan for what you want to do with your time and money.

4) Not maintaining confidentiality.

Keep the details confidential! It is important to shield your intent to sell from employees, vendors, customers, the landlord, even friends and family.

For our part, we issue the prospectus only to inquirers who we qualify for both management capacity and the financial proof to conduct a transaction. Potential buyers are vetted to make sure they're a good fit for your company culture and values. Then we issue an enforceable, four-page Non-Disclosure Agreement that will prevent these recipients from disclosing any information to anyone.

5) Not getting a professional facilitator.

People who try selling their business themselves usually run into snags and end up accepting much less.

After taking the time to understand your business and your goals, your M&A advisor then develops a comprehensive marketing plan that will reach the right buyers and highlight your business's unique strengths.

Your M&A advisor will also check all the boxes and solve the complexities from financial recasting to marketability. We facilitate introductions when the time is right. We negotiate and secure offers-topurchase with defined timelines for the financial and legal aspects of the process. We conduct the exchange of due diligence and assist with financing as necessary.

Our marketing efforts will encourage a competitive situation with more than one interested party.

As a seller, you should be prepared for the possibility of back-to-back Zoom or live introductions with prospective buyers.

6) Ignoring the importance of a business valuation.

What may seem like short-term additional work, is truly a long-term investment. Naturally, family-owned business owners spend their time thinking about short-term cash flow, personnel issues, and customer satisfaction. The broader view identifies the true monetary value of the business with an accredited valuation which also reveals the competitive advantages.

An accredited valuation positions your business for a sale and justifies your asking price. Even if you're not ready to sell, obtain a business valuation to track the business' performance, then update it when ready to sell. Knowing the value of the company with confidence and verification gives a seller leverage if someone wants to offer less.

Our business valuation services use numerous criteria with three approaches: Asset Based, Income Based, and Market Based. Each approach has several sub-criteria to establish a value.

In total, at least eight different key components are factored in to derive accurate market value.

Once you confidently know what your business should bring on the open market, you can decide on a timetable and determine tax implications. This eases your selling decision while providing you credibility and leverage with a potential buyer. It also provides security for lending institutions funding the acquisition. Omitting a professional business valuation will ultimately hurt a seller in numerous ways.

7) Being unprepared for the buyer's desire to negotiate.

Besides price and terms of payment, other aspects of the deal may be negotiated including closing date, seller's representations and warranties, and buyer's indemnification obligations.

Buyers may not have the cash to buy your business outright. Help your position by working with them on a payment plan or a seller's note for up to a quarter of the transaction value. By being flexible in deal structure, you can increase your chances of earning interest while selling your business for a higher price and getting the terms you want.

In sum, even though a business owner knows more about their business operation than anyone else, that is not sufficient for maximizing their return while trying to handle the complexities of a sale.

Using our "Exit Strategy Formula" to pull it all together, our firm is positioned to represent the seller with complete confidentiality and maximum return.

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About A Neumann & Associates, LLC

A Neumann & Associates, LLC is a professional mergers & acquisitions and business brokerage firm having assisted business owners and buyers in the business valuation and business transfer process for

the past 20 years. With an A+ Better Business Bureau rating, the company has senior trusted professionals with a deep knowledge based in multiple field offices along the East Coast and has performed thousands of business valuations and deal closings in its history. The firm's competitive transaction fees are based on successfully completing transactions. For more information, please contact A Neumann & Associates at 732.872.6777 or Info@NeumannAssociates.com