

Buying and selling businesses: 7 tips for a successful exit

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Is your business considering an exit? Here are our seven tips to set your business up for success.

1. Ensure your company 's affairs are in order

Before even uttering the word 'exit' to anyone outside of the company, do your best to get the company's affairs in order. Put in the time and work to ensure your corporate documentation is clear, that all shares or promised shares are accounted for and that your cap table is accurate, and that your commercial agreements are accessible (and executed!). Having organized corporate records will increase attractiveness and instill confidence that your company is sound to any potential buyer or advisor you approach.

2. Identify your transaction team

Identify the members of your team who will play key roles in the transaction. While you can have a team of lawyers and advisors assisting with your exit, members of your own team will do a lot of the heavy lifting to get you to closing. Knowing who these individuals are and putting in place up-front a deal-specific compensation scheme for the extra work they'll take on will go a long way in facilitating a smooth exit.

3. Foster clear and honest communication with investors

Begin clear and honest dialogue early with your outside investors about your objectives and exit plan. Ensure key investors understand and agree with your exit plan. A successful exit can be hindered or ruined altogether if a key investor does not support the exit plan and the objectives it seeks to accomplish.

4. Put yourself in the shoes of a potential buyer

Try to identify the likely profile of a potential buyer. Seeing things from the perspective of a buyer can help you understand how they assess value and risk, and what objectives they may be looking to achieve by purchasing your business. Understanding these

elements of a potential buyer can help you prepare your business in a way that maximizes its valuation and gives it a competitive edge.

5. Invest in the accuracy of your accounting system

Ensure your accounting system is robust and agile enough to provide as close to real time information as possible. An accounting system with near-real-time information will **inspire confidence in your company's financial performance and allow you to produce** real time updates to back up forecasts and an accurate closing price estimate will reduce the risk of conflict, cold feet, and any large fluctuations in final valuation.

6. Build up your leadership

Once you decide you are exiting your business, it is critical to begin investing in your leadership team. Your objective should be to become redundant by transferring all your knowledge and expertise to the employees in leadership positions that will remain. Demonstrating to sellers that the business can run efficiently and effectively without you is key to demonstrating sustained value and growth.

7. Set realistic expectations

Before you begin, set realistic expectations. These expectations must include the timing, pricing and pacing of the transaction. When issues arise that can potentially de-rail a **transaction, it is often a seller's impatience or unrealistic expectations that prevent a** solution from being reached.

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