# Preparing the Business for Sale

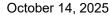
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Collaborative. Accountable. Authentic. Legal Solutions for Business Objectives.





# Is The Time Right For Sellers?

- Private Equity Market
  - Private Equity Firms have approximately \$4.5 trillion in total assets under management
    - Includes over \$1.3 trillion in uninvested capital available for acquisitions
  - 2024 Private Equity activity significantly increased over 2023 activity
    - Deal Value increased 19.3% from 2023
    - Deal Count increased 12.8% from 2023
  - Expansion of number of private equity funds formed
- Growth & Strategic Buyers
  - Corporate buyers have over \$5.8 trillion of cash on their balance sheets
  - Low organic growth rates are driving buyers into the marketplace

# Is The Time Right For Sellers?

- High Interest Rates & Alternative Debt Providers
  - Significant number of debt capital providers providing alternatives to borrowers
  - Lenders are active in looking for opportunities to lend money to quality buyers
  - Interest Rates have increased and buyers have priced acquisitions appropriately
- Price Paid or EBITDA Multiples Have Started to Increase
  - Valuations have fluctuated based on industry:
  - Market data reflected improved pricing in Q4-2024 and Q1-2025
  - Recent tariffs have increased costs for some companies and lower valuations for many businesses that rely on imported goods

# **Corporate Hygiene**

- Ownership documents
- Corporate Minute Book
- Intellectual property patents, trademarks, licenses
- Business licensing and registration compliance
- Review leases or prepare leases

# **Corporate Hygiene**

- Employee agreements
  - Non-compete
  - Non-solicitation
  - Confidentiality
  - Deferred Compensation Agreements
  - Employee Manual
- Buy sell agreements
- Customer contracts
- Insurance policies

# **Financial Hygiene**

- Financial Statements (review deductions and salaries)
- Tax filings
- Retirement plans
- Structure of entity for tax planning
- Estate tax planning
  - Gifting
  - Installment Sale
  - Charitable Planning
  - SLAT

# **Planning for Sale**

- Retirement planning
- Psychological aspects

# **Prepare Your Business For Sale & Maximize Cash**

- Retain a Quality Investment Banker
- Build a Good Management Team
  - Important to private equity or financial buyers
  - Key to running the company post-closing
- Key executives should be subject to assignable non-solicitation and/or noncompete agreements
- Resolve outstanding liabilities and contingencies prior to marketing your business

# **Prepare Your Business For Sale & Maximize Cash**

- Resolve Legal Issues Relating to Key Assets
- Improve Profitability and Growth
  - by product or service
  - by customer
- Customer Diversification
- Develop Credible and Positive Financial Statements
  - no debt; minimal owner salary and perks
  - minimize working capital
  - audited financial statements
  - consider a "quality of earnings" report

# **Prepare Your Business For Sale & Maximize Cash**

- Determine Structure & Key Terms Before Negotiating
  - Asset Sale
  - Purchase Price Allocation
  - Stock Sale
  - Sale to an ESOP
  - Tax-Free Reorganizations
- Consider Change of Residence to Low Income Tax States

# **Delay Sale While Building Your Business**

- Retain Ownership and Delay Sale of Stock or Assets
  - Longevity Risks

Probability of Survival at age 65

Age	Female	Male	At least one member of the couple surviving
70	93.90%	92.20%	99.50%
75	85%	81.30%	97.20%
80	72.30%	65.90%	90.60%
85	55.80%	45.50%	75.90%
90	34.80%	23.70%	50.30%
95	15.60%	7.70%	22.10%
100	5%	1.40%	6.30%

- Create Incentives for Professional Managers
  - Stock Appreciation Right Plans
  - Phantom Stock Plans
  - Deferred Compensation Arrangements

# Contact us

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