



## 7 Questions to Ask BEFORE Selling Your Business

**As a successful business owner, you have made the momentous decision to divest your company.** Although embarking on this journey may be exhilarating, it can also evoke feelings of unease and inundate you with queries and reservations. Whether it be the unremitting stress from employees or customers, or simply the desire to pursue new challenges, the motives for seeking to sell your business are varied.

Entrepreneurs are continually seeking new ventures, whether it be the sale of their existing company or acquisition of another. Statistics indicate that the typical independently owned business in the U.S. undergoes a transaction once every five years, thus, the market for businesses for sale is highly competitive.

To ensure that your company stands out and maximizes its value during the sale process, it is essential to address the following questions. With a thorough understanding of the market and by making proactive preparations, you can ensure a smoother, more profitable, and fulfilling transaction.



### **1- *Do I have business financials prepared for my valuation?***

We advise individuals seeking a business valuation to have at their disposal a minimum of three years' worth of comprehensive financial documentation. These records should comprise both business tax returns and income statements, as they are critical to both the valuation process and the due diligence that transpires during it. Having these financials readily available not only facilitates the processes but also enables you to view your company from an impartial perspective, thereby equipping you with the necessary information to competently respond to queries from your broker and potential buyers.

### **2- *Is my company staffed and trained to prosper without me?***

A common oversight made by prospective sellers is the assumption of an excessive workload, thereby rendering their company reliant on their personal involvement. It is important to note that most buyers are seeking to acquire a business, not an occupational obligation. It is advisable to avoid shouldering an excessive amount of responsibility within your company and to ensure that the transfer of intellectual knowledge to at least two employees per task is executed effectively. By implementing this approach, your company will present it as a more appealing investment opportunity to prospective buyers.

### **3- *Can my lease be assigned, or should I sell or rent the facility out of which my business operates?***

A critical aspect of preparing for the sale of your business involves a thorough review of your lease agreement and consultation with your landlord to determine the requirements and feasibility of assigning the lease. If you hold ownership of the facility in which your business operates, it may be advantageous to evaluate the possibility of either selling the location in conjunction with the business or retaining ownership and renting it to the new owner. In either case, an expert valuation can provide insights into the most optimal course of action to maximize the value of your company.

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**1370 NC 24-87 STE 153 - CAMERON, NC 28326**

PHONE: 910-476-7404 – EMAIL: [INFO@STONYHILLADVISORSINC.COM](mailto:INFO@STONYHILLADVISORSINC.COM)



## About Stony Hill Advisors, Inc.

*Stony Hill Advisors strives to maximize the value of your company by offering services like our Business Scope 360 Consultative Session and Exit Value Planning services. When you want to maximize your value and be guaranteed the highest levels of service and professionalism, Stony Hill Advisors, Inc. is the right choice.*

### **4- Have I prepared an updated equipment and inventory list?**

A comprehensive and up-to-date list of all equipment and inventory is paramount to the accuracy of your valuation and the successful progression of the transaction. It is essential to have a meticulously compiled inventory that can be readily reviewed and updated as required. As a business owner, it is imperative to maintain an accurate inventory count and ensure that all items are current and available for sale.

### **5- Is my customer base diversified?**

A prevalent error committed by business owners is having an over-concentration of revenue derived from a single customer. While it may be tempting to prioritize work from your most substantial client, it is crucial to cultivate and expand your customer base to mitigate the risk of business interruption in the event of a loss of a singular client. If a customer accounts for 20% or more of your total revenue, it may be prudent to allocate resources towards diversifying your customer portfolio for the long-term stability and growth of your business.

### **6- Am I prepared to train and assist the new buyer in running my company?**

As a seller, it is imperative to demonstrate readiness and capability to effectively transfer knowledge and facilitate a seamless transition of operations to the new buyer. Presenting comprehensive documentation, such as employee manuals, operational manuals, recipes, and well-organized customer lists, can assure the buyer of your ability to support the ongoing success of the business. Expectations should be set for providing three to four weeks of comprehensive training and being available for phone consultation for several months post-sale to ensure a successful transfer of ownership.

### **7- Have I had a free-market valuation done by Stony Hill Advisors?**

Ultimately, the value of your business will be a determining factor in the decision to sell. As such, it is advisable to undergo a free-market valuation to establish equity in your company and inform your strategic planning for the future. This will ensure that you are equipped with a comprehensive understanding of the worth of your business and can make informed decisions regarding its sale.

**At Stony Hill Advisors, we will provide that basic information free of charge! Contact us today and one of our advisors will begin the valuation process so you can begin the journey of selling your business.**

**To learn how we can help you sell or buy a business, call, or text us at 910-476-7404.**