16 Key Considerations for Planning for a Third-Party Sale

	Control the timing. Plan several years in advance and operate as though your business is always for sale. Preserve your ability to say "no."
	Develop next-generation leadership. Ensure there is a clear plan for who will run the business if you are unexpectedly unavailable.
	Maintain clean, current financials. Produce accurate monthly financial statements no later than the 15th of the following month.
	Establish a history of credible reporting. Annual audited or reviewed financial statements from your CPA firm enhance credibility.
	Focus on EBITDA growth. Incremental improvements in EBITDA can significantly increase enterprise value.
	Prepare a rolling five-year forecast. Update it annually to demonstrate forward-looking performance.
	Create accountability. Hold regular, structured board meetings and consider adding outside advisors or board members—even if you are the sole owner.
	Evaluate entity structure. Ensure your structure is optimized for tax efficiency in a sale transaction. Flow-through entities (e.g., S corporations or LLCs) are often more favorable for sellers.
	Separate real estate from operations. Holding real estate in a separate entity can provide flexibility during a transaction.
	Understand purchase price allocation. Sellers prefer capital gain treatment, while buyers seek accelerated deductions. The allocation among goodwill, equipment, and other assets has significant tax implications.
	Define goodwill clearly. Goodwill represents the premium paid above the fair value of tangible assets and includes factors such as brand reputation, customer relationships, location, and proprietary processes.
	Monitor market activity. Stay informed about transactions and valuation trends in your industry.
	Obtain professional valuations. Periodic valuations can help you gauge readiness and track progress.
	Identify potential buyers. The expansion of private equity has created a broader pool of qualified buyers.
	Align your personal financial plan. Understand how a sale will support your lifestyle and ensure your estate documents are current.
	Diversify personal net worth. Reduce reliance on the business by maximizing retirement plan contributions and building assets outside the company.

Final Thought: As discussed, a succession event is guaranteed. It is far better to have it well planned and on your terms than to be forced into a transaction without preparation or flexibility.