

Spring Clean Your Financials Now for a Better Sale Price Later

Having your books in order will boost your business value.

By Curtis Kroeker

The snow is melting, the birds are chirping and this year's tax season is nearly behind you. But before you dump your financial documents into the filing cabinet, there's something else you need to do. Whether you're planning to sell your company in twelve months or twelve years, you need to spring clean your financials to make sure you have the documentation you need when it's time to sell your company.



When it comes to selling a business, solid financial records are the key to getting a deal done. Buyers will usually walk away from opportunities that can't back up the historical performance (and, thus, asking price) with solid bookkeeping. To significantly improve the value and salability of your company, periodically invest a little time and energy in your financial records.

Review the right documents.

From a buyer's perspective, accurate financial reports bring a level of objectivity to the buying process. Sellers may claim that their companies are profitable and have a positive financial outlook, but without properly maintained financial statements buyers will view such statements as "claims" rather than verifiable "facts."

As a seller, it's critical to create, collect and review these key financial statements at least once a year:

- Profit & loss statements (covering the past 2-3 years)
- Current balance sheet
- Cash flow statement
- Business tax returns (past 2-3 years)
- Any additional documentation to substantiate financial representations

In addition to your financial statements, these documents should also be monitored on a regular basis:

- Revenue breakdown to help buyers understand the "quality" of the revenue; e.g., proportion of revenue that is recurring, revenue by customer (to show degree of concentration), proportion of revenue from recent vs. long-standing customers
- Current lease(s)
- Insurance policies
- Supplier and client contracts (ideally showing that these are tied to the business itself and not the business owner)
- Employment agreements

Many sellers may opt to compile their own financial statements internally each year. However, it may be possible to improve the selling price with a CPA review or even an audit since buyers place more weight on financials that have been subjected to the scrutiny of a qualified accounting professional.

As long as you're spring cleaning ...

The process of gathering and updating the necessary financial reports is a good first step toward improving the value of your business. It also presents a great opportunity to take a few extra steps to maximize the value of your company:

- **Review Financials for Accuracy.** Inaccurate financial statements and other seller-related documents aren't helpful and can sabotage your efforts to improve credibility with buyers. Carefully review all of your reports and documents to identify errors that could come back to bite you when you prepare to list your business.
- **Consider Improvement Strategies.** By carefully reviewing your financials, you can identify gaps and shortcomings that are ripe for improvement. Pay specific attention to key financial ratios that can be improved between now and the time you plan to sell your company.
- **Engage an M&A Advisor.** By creating a relationship with a broker now, he or she can help you understand what buyers will be looking for and can help you ensure that your financial record keeping is up to snuff. A good M&A Advisor can also help identify additional areas for financial improvement to build value.

As a business owner, you have a lot on your plate. So it's important to think about a spring cleaning of your financials as an investment--the more time and energy you invest in your financials now, the easier it will be to sell your company for the full market value you deserve when you're ready to exit.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

www.OilGasAdvisor.com 844 749-6016 info@OilGasAdvisor.com

Offices serving the oil and gas business across North America

DFW, TX
Don Hankins
DHankins@OilGasAdvisor.com
(817) 615-8393

Tulsa, OK
John Johnson
JJohnson@OilGasAdvisor.com
(918) 749-6016

Tyler, TX
Keith Chapman
KChapman@OilGasAdvisor.com
(903) 245-9233

Williamsport, PA
Gary Papay
GPapay@OilGasAdvisor.com
(570) 584-6488

CREDIT: [Shutterstock](#)