

## What a Buyer May Really Be Looking At

Buyers, as part of their due diligence, usually employ accountants to check the numbers and attorneys to both look at legal issues and draft or review documents. Buyers may also bring in other professionals to look at the business' operations. The prudent buyer is also looking behind the scenes to make sure there are not any "skeletons in the closet." It makes sense for a seller to be just as prudent. Knowing what the prudent buyer may be checking can be a big help. A business intermediary professional is a good person to help a seller look at these issues. They are very familiar with what buyers are looking for when considering a company to purchase.



Here are some examples of things that a prudent buyer will be checking:

### Finance

- Is the business taking all of the trade discounts available or is it late in paying its bills? This could indicate poor cash management policies.
- Checking the gross margins for the past several years might indicate a lack of control, price erosion or several other deficiencies.
- Has the business used all of its bank credit lines? Does the bank or any creditor have the company on any kind of credit watch?
- Does the company have monthly financial statements? Are the annual financials prepared on a timely basis?

### Management

- Is the owner constantly interrupted by telephone calls or demands that require immediate attention? This may indicate a business in crisis.
- Has the business experienced a lot of management turnover over the past few years?
- If there are any employees working in the business, do they take pride in what they do and in the business itself?

### Manufacturing

- What is the inventory turnover? Does the company have too many suppliers?
- Is the business in a stagnant or dying market, and can it shift gears rapidly to make changes or enter new markets?

## Marketing

- Is the business introducing new products or services?
- Is the business experiencing loss of market share, especially compared to the competition? Price increases may increase dollar sales, but the real measure is unit sales.

When business owners consider selling, it will pay big dividends for them to consider the areas listed above and make whatever changes are appropriate to deal with them. It makes good business sense to not only review them, but also to resolve as many of the issues outlined above as possible.

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