

Greetings!

Please take a moment to review the valuable content in our newsletter.



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December 2018 - In This Issue:

PREPARING TO SELL YOUR BUSINESS - HOUSEKEEPING

INDUSTRY KNOWLEDGE

ANNUAL BUDGETING - WHAT I HAVE LEARNED

WHAT IS MY BUSINESS WORTH

ANNUAL BUDGETING - WHAT I'VE LEARNED

Annual Budgeting is good - right? Almost every business owner would say "yes". But is it worth the effort? I've been on a number of Boards of Directors / Boards of Trustees - they included various types of Businesses, a Golf Country Club, a Condo Association, and not-for-profits. A few reflections...

- Department heads often HATE budgeting - it's not their "thing", not something they are comfortable doing or have been trained to do. The result - they struggle and object and it's stressful and not much good comes of it.

PREPARING TO SELL YOUR BUSINESS 50 POINT ACTION PLAN

The last seven issues of our newsletter were devoted to preparing to sell your business. Those seven newsletters contained a total of 50 action items which are summarized below:

Preparing to Sell Your Business - Planning Considerations

- Learn the realistic value of your business - obtain an informal business valuation
- Learn the realistic value of your commercial real estate (if applicable) - obtain informal valuations
- Understand the reality of your existing personal financial situation
- Determine your ultimate transition goal (transition to a family member, co-owner, employee or third party)
- Estimate the timing of your desire to sell
- Project your future living/lifestyle expenses as well as future income

Preparing to Sell Your Business - Minimizing Buyers' Risk

- Understand the need to have Seller's Discretionary Earnings (SDE) in excess of \$100,000
- Understand the reasons it's best to have consistent and reliable SDE
- Understand the need to have key employees (second-level management)
- Understand the need to minimize customer concentration
- Understand the importance of reliable financial information
- Understand the business sale process (including the importance of confidentiality, non-compete agreements, the need to provide training, the need to consider seller financing and the need to address obstacles and disclose negative issues)

Preparing to Sell Your Business - Improving Accounting Procedures

- I've seen Managers budget based on last year's budget - not on actual, current year results. Why? Because they aren't financially oriented and don't understand what budgeting is.
- I've once saw a Chief Financial Officer for a Company adjust the budget every few months just before quarterly Board meetings so that he always met his budget. It appeared to be clearly in his own best interest - and render the budget useless.
- On a positive note, Managers tend to perform better if they are part of the process and buy into the plan and what needs to be done.

So why budget?

To me it's the COMMITMENT, PLANNING AND EXECUTION OF THE PROCESS that is valuable. And by that, I mean looking at all the numbers, how they have been in the past, how they compared to prior budgets, why actual and budget numbers differ. The process helps to establish goals and objectives for the coming year, and by discussing them helps to understand what needs to happen for them to be achieved. We never hit budgets right on - except in extremely rare situations. Why we miss them, or hit them, is important, to help us learn what to do better in the future. I encourage all business owners to look at the budgeting process and to budget. The goal is to

- Replace tax minimization policies with profitability maximization policies
- Eliminate cash-basis accounting and switch to accrual-basis accounting
- Stop running personal expenses through the business
- Stop skimming unreported cash transactions
- Stop recording capital asset acquisitions in expense accounts
- Stop understating inventory (which overstates costs of goods sold)
- Improve your inventory accounting system
- Track key business metrics on a monthly basis

Preparing to Sell Your Business - Improving Profitability

- Increase your gross margin percentage
- Increase your sales and marketing efforts
- Develop (or improve) your website
- Consider marketing automation to significantly increase your revenues
- Identify opportunities to cut unnecessary costs
- Eliminate under-performing employees
- Collect on overdue accounts receivable
- Concentrate on your successful niche - discontinue unprofitable (or marginally profitable) services/products

Preparing to Sell Your Business - Systemize and Document Your Business Operations

- Systemize and document your business operations
- Identify opportunities for increased efficiencies
- Develop second-level management to minimize your importance to success of the business

Preparing to Sell Your Business - Identifying Assets

- Develop a list of assets and verify their existence
- Identify assets to be excluded for a sale of your business
- Learn the value of your commercial real estate (if applicable)
- Sell non-productive assets no longer used in the business
- Sell excess, old or obsolete inventory
- Identify and document intellectual and intangible assets such as patents, trademarks, copyrights and exclusive agreements

Preparing to Sell Your Business - Writing the Buyer's Business Plan

better understand their business, how it has performed, what went "right" or not-so-good, why, and how they might operate in the future to have a better business, however they define "better". It's a learning process, and a valuable one if done with the right intention.

WHAT IS MY BUSINESS WORTH

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

NEXT ISSUE

35 REASONS OWNERS SELL THEIR BUSINESS

CONTACT US

- Develop the "sizzle that sells the steak" to streamline the sale process
- Concentrate your efforts on the qualitative aspects of the business plan
- Identify opportunities for growth and increased profitability
- Anticipate and answer due diligence questions within the business plan

Preparing to Sell Your Business - Housekeeping

- Eliminate clutter in the business. Try the "four-box" method
- Sell or discard non-productive assets and inventory
- Remove personal assets and mementos that will not be included in the sale
- Clean the facility (consider a comprehensive cleaning by a commercial cleaning company)
- Clean the restrooms and replace toilets and sinks (if applicable)
- Repair signs, replace lights and stained ceiling tiles
- Consider painting where necessary
- Clean up exterior landscaping (if applicable)
- Consider upgrading computers

The sooner you begin taking these action steps, the greater the likelihood of selling your business at maximum valuation. Don't wait, though. It's never too early to start! As a side benefit, many of these steps will result in more take home pay for you during the years you continue to own the business.

INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE

Our presence as a Professional Business Broker is extended nationally as a result of being associated with associates located nationwide. We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.



We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing.

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