



EXPERT BANKING ADVICE FOR YOUR SMALL BUSINESS

How to Position Your Small Business for Acquisition

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There probably isn't a business owner alive who hasn't dreamed of the day that his or her business is purchased for a handsome sum, providing the financial freedom to fund retirement, pursue a passion, or even start another business.

A Solid Balance Sheet

From a banking perspective, positioning your business for an acquisition starts with a solid balance sheet and the records to back it up. This is just one reason we encourage our business customers to use online banking, which helps keep transactions recorded automatically, centrally, and in an easy-to-access manner. By clicking just a few screens on your computer, online banking gives you quick access to electronic data that helps back up your balance sheet.

Consistency in Asset Management and Growth

A potential buyer wants to see solid management of major assets. A buyer will also be looking for consistency from month to month, and growth year over year. The buyer needs to be able to see clearly that the business has value. So, if you're taking key cash accounts down to zero balance at the end of each year (like many businesses do), tread cautiously. It's not always a good idea to start the year at zero if you're positioning for acquisition. Potential buyers and their lenders want to see a consistently managed surplus.

A Good, Hard Look at Internal Trends

Grab your accounting records for the past year and take an objective look at what you see. Are there seasonal gaps in income? Are there monthly gaps in your ability to cover payroll? Have there been opportunities for growth that you had to turn down because you didn't have the capital for equipment or employees? All of

these are challenges you can discuss with your banker, who may have lending options for you to consider.

Know Your Industry

There's a courtship that happens with an acquisition, and it can begin years beforehand. Know your industry, attend its events and read related news and articles. Then get to know your competitors. You do have a lot in common, after all. Let them get to know your business, while you get to know theirs. Look for opportunities to partner... to test the waters, so to speak. This is especially important if you see your employees joining their team if an acquisition occurs.

Document, Document, Document

Finally, if you don't have a documented process for what you do, create one. If you don't have a multiyear business plan, write one, even if you are planning to sell. Then take the time to pull together any other paperwork a potential buyer would need to see, such as nondisclosure agreements, investment documents, intellectual property filings, a list of assets and liabilities, and anything else related to the value of the business. Your banker can help you determine which documents you will need and may be able to offer insights into making your business look the best it can to a buyer.

ABOUT BOB DEALMEIDA



Bob DeAlmeida is president and CEO of Hamilton Bank, which operates five Maryland locations and meets the complete banking needs of small businesses, retailers, consumers, and homeowners across Greater Baltimore.

MORE INFORMATION

Connect with a small business banker at Hamilton Bank.

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