

TAKING STOCK OF YOUR COMPANY

When it comes to selling a company the very last thing you want is a “skeleton in the closet.” The bottom line is that you want to find any problems before a prospective buyer finds them for you.

You want to make sure your prospective buyers can look in and out of your company’s closets, metaphorically speaking, and never run into any issues. There are three key areas you should investigate carefully to make sure that your company is in order: finance, management, and marketing. Here are some important questions you should ask to make sure you avoid someone else finding an unwanted skeleton.

CHECKLIST



Finance

Addressing Any and All Bank Problems

Is your company out of financial ratio?

Is your company under particular scrutiny from the bank?

Has your company used its complete credit line and/ or have suspect relations with its bank?

What Are You Doing with Your Cash?

How is your cash management? Does your firm have good cash management?

Is your company taking trade discounts or able to buy at the quantity price?

Do you pay trade payments on time?

Do You have Problematic or Outdated Financials?

Currently, does your company have monthly financial statements?

Does your company have detailed financial cash flow projections?

Are your company’s annual financial statements completed three to four months beyond year end?

Are your company’s financial statements unaudited?

Management Issues

Company Pride

In general, does your company lack a sense of pride? No doubt determining the level of pride within a company can be a bit difficult, but it is still possible to get a general feel for the overall level of pride a company has. The attitude and body language of employees goes a long way towards determining a company's level of overall pride.

Substantial Changes in Key Personnel

What does managerial turnover look like in your company?

Would a review of the last three years of management show an unusual turnover in key positions?

In the last three years has your company lost your CFO, sales manager and/or vice president of manufacturing?

Substantial Lack of Change

Have there been little or few changes in senior management over the years?

A lack of senior management change can indicate a stagnant business; one that is not up with the times. Such a business could be dominated by the CEO.

Is Your Business in a State of Continual Crisis?

Do you find that you or other key team members are constantly interrupted by emergency telephone calls?

Are you or other key team members constantly interrupted by secretarial demands for immediate decisions?

Marketing

Loss of Market Share

Have you lost market share recently?

What steps are being taken to regain market share?

What steps are being taken to improve your marketing efforts?

The key in evaluating market share is to be able to compare unit volume increase or decrease with the direct competition. On occasion a specific price increase will increase dollar sales, but the true measure is unit sales.

Trade Shows

Is your company actively participating in trade shows?
How does your company's booth or presence at a trade show compare to that of the competition?

New Products

The rate and success of new products, services, etc., is partially related to the extent of the company's ability to look ahead. Is your company looking ahead with new innovations and new products?

Here is a great example: part of 3M's success is due to the company's goal to generate 30% of revenue from new products introduced in the past five years. How does your company compare?

Answering these questions will help you ensure that your company doesn't peak or take a turn for the worse. By focusing on maintaining strength in the key areas of finance, management and marketing, your company will not only be healthy and successful but also ready to sell when the day arrives.

Alamo Corporate Group and its advisors have specialized in ownership transfers of closely held companies since the late 1980's. We offer a range of intermediary services including mergers, acquisitions, divestitures, buyer identification, management buyouts, debt restructuring and in very limited instances, acquisition searches for high net worth individuals and private equity groups.

Alamo's primary purpose is to provide an extremely confidential national service that brings buyers and sellers together through our extensive contacts in the financial and intermediary communities.

Our process is very structured, as experience has shown us that while each buyer and seller is somewhat unique, there are enough similarities that specific steps must be followed in order for transactions to close. Confidentiality is guarded throughout each step of the process.

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