

Parkwood Advisors, LLC
Long-term Preparation for Sale
Possibilities to Consider

Achieving the maximum valuation for your business often requires substantial long-term preparation to address certain fundamental issues, historical practices or business processes. Potential buyers must have confidence that the business has strong historical performance and is positioned well for growth without substantial time or investment required for resolving basic infrastructure, business process or historical business practice issues. The following items are presented as a general starter list (not all inclusive) of common areas that often need to be addressed as a part of long-term preparation for sale.

Category / Description:	Timeframe or Priority:	Comments:
1.0 Company Operations		
Goal: Demonstrate maximum operational capabilities and reasonable sophistication for business size and industry.		
1.1 Comprehensive quality process in place and fully operational		
1.2 Demonstration of how quality process provides competitive differentiation and has enabled the company to win business.		
1.3 Advanced manufacturing techniques – JIT, lean manufacturing, etc.		
1.4 Demonstrate ability to service current and future business from existing facilities. Facility maintenance and upgrades completed. Clear awareness of new / expansion facility requirements.		
1.5 Strong plant level management and supervisory staff.		

2.0 Income Statement		
Goal: Demonstrate predictability and stability in revenue and earnings.		
2.1 Upgrade business model to include / increase recurring revenue.		
2.2 Show steady upward trend in revenue and earnings growth. Manage program launches, infrastructure build-out and other capex in predictable, recurring patterns.		
2.3 Balance revenue mix from multiple lines of business, industry sectors, customer groups, trend areas, etc.		
2.4 Reduce customer concentration if necessary. Generally, no one customer should account for more than 20% of revenues.		
2.5 Reduce customer churn / demonstrate customer retention and document how.		
2.6 Verify that revenue streams are focused and on-strategy versus scattered and opportunistic. Demonstrate evidence of and progression toward a market dominant niche or position.		
2.7 Prune customer accounts to eliminate undesirable or financially unstable customers.		
2.8 Analyze company cost structures and historical costs. Lower fixed costs whenever possible. How stable / predictable are the cost trends / patterns / actual amounts? How do these costs compare as a percentage of sales to relevant industry peers? What run-rate cost improvements can be seen over time?		
2.9 What cost reductions are known and necessary? Reduction in force? Workflow or process redesign? Reset expenses that are over-market?		

2.10 Conduct a profitability analysis by product, part or area. Focus on highest margin products / services.		
3.0 Balance Sheet		
Goal: Obtain the most cash for the current shareholders and minimize any purchase price adjustments based on changes to working capital at closing.		
3.1 Reduce days sales outstanding to best-practice benchmarks for industry		
3.2 Take appropriate accounts receivable write-offs in advance.		
3.3 Extend days payables to accepted norms.		
3.4 Use GAAP standard accrual policies and book transactions correctly.		
3.5 Write-down obsolete inventory.		
3.6 Implement a robust and automated inventory management application and supply chain initiatives to minimize inventory levels / maximize turns.		
3.7 Carefully scrutinize capex investments to insure expenditures will either position the company favorably or produce near-term results / returns.		
3.8 Sell unnecessary / unproductive equipment.		
3.9 Write-off old tooling as appropriate.		
3.10 Complete any construction in process.		
3.11 Write-down value of depreciated investments.		
3.12 Analyze and effectively document any off-balance sheet items.		

4.0 Strategic Planning		
Goal: Present a logical, detailed and executable strategy that will create meaningful growth opportunities during the next 5 years.		
4.1 Produce a comprehensive business plan document with all normal and customary categories of research, analysis, plans, timelines, etc.		
4.2 Produce a plan that you would be willing and able to commit to assuming you were to stay with the business.		
4.3 Assemble the management team with all necessary capabilities, expertise and maturity to execute the plan.		
4.4 Highlight the ability of the team to run the business without owner / partner direct day-to-day involvement.		
4.5. Align the company's strategy with the most compelling opportunities in your industry and space.		
4.6 Identify and validate potential acquisition candidates for growth, product or service addition, geographic expansion or consolidation.		
4.7 Complete the integration of any existing / prior acquisitions, and demonstrate progress toward anticipated synergies / growth from the deal.		
4.8 Assemble the team of professional advisors (investment banker, lawyer, accountant, etc.) and get them fully up to speed on your business and objectives.		
5.0 Financial Projection Model:		

Goal: Demonstrate a logical and realistic financial picture of the anticipated future growth and what that looks like in the financial reports and benchmark ratios.		
5.1 Build projection on a “ground-up” approach based on growth of existing customers, lines of business, and achievable opportunities.		
5.2 Add-in completely new products, services, lines of business as appropriate and based on logical assumptions of capital investment.		
5.3 Compare projected growth against industry / market growth rates; economic trends and environmental conditions and competitor growth rates.		
5.4 Provide detailed assumptions and budgets that will enable the company to support and defend the model.		
5.5 Factor in planned changes and responses for internal process improvements / capital investments, productivity improvements, etc. and for external competitive forces such as margin pressure, competitive practices, etc.		
5.6 Create a model that is allows modeling and testing of multiple different scenarios, inputs, investment levels, program / project changes, etc.		
5.7. Model a base case, best case and worst case scenarios.		