# Selling your company: 6 steps to execute a smooth exit

**By Neelraj Arjune**

Selling a company is one of the most difficult decisions a business owner can make. The process is complex, takes a considerable amount of time and requires strategic planning. From the seller's perspective, the process is generally divided into the following six steps: preparation, valuation, marketing, negotiation, due diligence and closing.

Strategic planning is usually considered to be the first step in selling a company. At this stage, the seller should begin by assembling an advisory team, which typically includes legal counsel specialized in Mergers and Acquisitions, accountants and investment bankers. Once the team is assembled, the seller should assess their reason for selling and what they are selling (whether it be the equity of the company or the company's assets). This objective can streamline the desired outcome and help shape the deal structure. Additionally, it is vital for the seller to begin compiling necessary documents that will be required in the due diligence process to reduce the risk of deal delays.


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These documents include company financial statements, legal documents and operational data.

Once the preparation step is completed, the next phase is to determine the company's value. A professional valuation helps set realistic expectations and serves as a foundation for negotiation. Valuations are typically based on a combination of quantitative (such as cash flow, EBITDA multipliers or revenues) and qualitative factors (such as brand reputation, product quality or customer relationships).

With a valuation in place, the company is marketed to potential buyers. The seller's advisor, typically the investment banker, prepares a confidential information memorandum (CIM) that is distributed to the potential buyers. The CIM is a detailed document that provides in-depth sensitive information about the company. To protect the company's sensitive information, each potential buyer signs a non-disclosure agreement before receiving the CIM. This step is crucial for identifying interested buyers.

Next, the seller evaluates each interested buyer. The seller's goal is to maximize value while minimizing risk, which the seller's advisory team will help achieve. Once the seller determines its buyer, each advisory team works to negotiate and finalize a Letter of Intent (LOI), which outlines proposed key terms of the potential acquisition and serves as a roadmap for the rest of the transaction.

Once the LOI is signed, the buyer conducts due diligence. The due diligence process can be demanding and time-consuming. This process is a buyer's deep review of the company's financial, legal and operational information. The seller should be transparent and work with the buyer to provide all necessary documentation to avoid loss of buyer confidence and risk the deal falling apart.

After due diligence, all deal documents are heavily negotiated and finalized, necessary consents and approvals are received, and funds are transferred. However, most sales are not completed at closing and require post-closing obligations. This can include the seller assisting in transitioning the business to buyer, post-closing covenants, purchase price adjustments and escrow requirements.

From the seller's perspective, successfully selling a company is complex and time consuming. It requires foresight, discipline and strategic communication. The process is not just about finding a buyer, but also presenting the business as a valuable, sustainable and well-managed enterprise. By preparing early, engaging the right advisory support, and managing the process diligently, a seller can maximize value, minimize risk and achieve a smooth and rewarding exit. By understanding each step in detail, from preparation to closing, business owners can effectively navigate the process with confidence and achieve an outcome that honors their legacy while positioning the company for future growth.

Contact our team to guide you through a business sale.

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