



Time to Sell Your Restaurant? Read These Tips First to Get the Highest Price For Your Business!

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As specialists in getting restaurants open, it is surprising how many people ask us, "How can I get out of my restaurant?" Reasons for this question vary greatly, from a death in the family to a merger with another firm, to the end of a lease, to bad economic conditions that for a multitude of reasons, may require a sale.

Selling your restaurant requires quality prior planning if you are going to realize the maximum value for the business. This planning is not much different when getting out than when you first got into that business.

What things did you look for when you bought your restaurant? Of course, profit was probably the key consideration, followed by a great location, a niche market, a solid system of operations, and a vision for growth. Aren't these the same things you need to concentrate on if you are going to market your operation to someone else?

A strong focus on the basics, about twelve months prior to getting out of your operation can take you from where you are at now, to a maximum market value. Let's look at some of the top areas you may wish to concentrate on right away:

1. **Bookkeeping.** A clean, organized and understandable set of financials are critical to the sale. A close friend once said, "A business with no profits on paper has no value", and this statement is close to being very true. You will want to show where your income came from, what you spent on expenses, and what kind of cash flow exists. If you cannot show these numbers, all the profit in the world will not make any difference to a buyer if you cannot prove it. A professional accounting firm can give you feedback on how to structure your systems.
2. **Profits.** You simply must be profitable and there are ways to do it. By concentrating on your highest cost areas such as labor, food and beverage, you can make good headway by making your purchasing more efficient, watching your inventory levels, and what you are charging for your products. Obviously profit generation is a very large topic and worth looking at closely. Have you had an operations analysis done on your business recently? A restaurant consultant can conduct this analysis inexpensively and give you a list of things to work on.

3. Location. This includes making sure you have a lease that is of value to your prospective buyer, or terms on the real estate that will provide enough profit for the buyer at the end of each month. Imagine the interest level of a buyer who finds out that you have only 4 months left on the lease. Hard to get too excited about that, especially when most states require certain minimums on the lease terms if you are selling a liquor-beer-wine operation.

4. Appearance. Just like a home that needs "Street appeal" to get buyer interest, your restaurant is the same way. Fresh paint, neat landscaping, clean windows, an organized office, a clean kitchen...you get the idea. Put a checklist together of what you will get done each month, and by month twelve, you will have completed the list.

5. Legal. If you operate as a corporation, would you consider selling the stock in your corporation to the buyer, allowing you to simply walk away? For some sellers, this option may make sense. Seek the services of a qualified attorney on how best to structure your business for a future sale. While one structure may work for one type of operation, it could spell financial disaster to another. This is a good time to seek professional legal advice.

6. Staffing. If you have been running the operation on your own, doing a lot of the work yourself, are you simply selling a "Job" to the new buyer? Think about what your buyer will be looking for and set up your systems now for maximum value in the near future. You will want to hand over a smooth running, fully staffed, profitable operation to a buyer. Now, what the buyer will do will be anyone's guess!

So far, we have concentrated on a twelve-month exit plan. What if you need to get out of your restaurant quickly, like thirty or sixty days from now? If your need is that pressing to get out of a business, you will undoubtedly have your reasons for this pressure. An immediate lack of profit, a terminated lease, costly repair problems or something else is triggering this pressure.

You will be hard pressed to realize the maximum price for your business if you are a desperate seller. It makes sense at this time to enlist professional services of a restaurant consultant to walk you through your options, and how you can get the maximum value out of the operation.

Should you simply hand over the business sale to a realtor or broker to sell? Not right away if you want the maximum long-term value. Prior planning, a vision for what type of transaction will best serve your purposes, and consulting advice on how to squeeze every last dollar out of that operation are all critical components of getting your just rewards.

For more information:

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