

## The 5 Must-Do's When Considering Buying Any Business

There is no doubt that buying a business can be a very exciting idea; however, it is critical that prospective buyers don't lose track of what is truly important. Let's explore the five most important steps that any buyer needs to take when evaluating a business. The simple fact is that as a buyer, you have no choice but to look beyond the sizzle and work to find the steak. In other words, it's essential to determine the true worth of a given business.



### #1 – Evaluate What is Actually Being Sold

No buyer should assume that he or she understands everything that is, or is not, being sold when buying a business. One of the most important tasks for any buyer is to carefully evaluate the business under consideration and invest the time to understand what the business does and what is included in the sale. This is a task that your Business Broker or M&A Advisor will perform as well.

### #2 – Understand Business Performance

Understanding the performance of a business can be more complex than it initially appears. On one hand, the numbers don't lie, and it is possible to quickly evaluate the bottom line. However, in the process of evaluating the business, you and your Business Broker or M&A Advisor might discover that there are many flexible factors that could quickly alter how well the business performs. For example, you'll want to take into account the number of hours the current business owner is working and if key employees are contributing enough to the business. These are just two of a wide variety of factors that could influence overall performance.

### #3 – Look at the Financials

Ultimately, there is no replacement for understanding the current financials of a business. Perhaps a business has all the potential in the world, and you can easily see that potential. However, remember that almost all buyers must obtain financing; this means that it is usually critical that the business has strong financials in its current state. Before considering any business, you and your team of professionals will want to carefully evaluate profit and loss statements, tax returns, balance sheets, and other important financial documents.

### #4 – Evaluate the Business Plan

Understanding the current owner's goals and what steps they've outlined to achieve those goals is a key step. As a new owner, you'll want to know that there is a path forward for growing your business, and a business plan is essential for achieving that goal.

## **#5 – Look at the Demographics**

One of the single best ways to grow your business is to understand your customers. For this reason, it is important that you have a clear understanding of the demographics of the business and why customers should remain loyal. If there are challenges on the horizon, such as an expanding competitor or new competitor entering the arena, then you'll want to know this information as well.

Evaluating a business is not a simple process. Working closely with a brokerage professional who has years of experience in evaluating all types of businesses is essential. This is an excellent first step towards buying the right business for your needs.



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