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# How To Prepare A Client's Closely Held Business For Sale In Uncertain Times

Numerous clients own interests in family or other closely held businesses. For many of these clients the business is a major asset or even the bulk of their balance sheet. Succession planning for the business is common as part of a comprehensive estate plan. There are a range of options to consider in succession planning, which may include having a child, or other heir, take over the reins of the business, bringing in or promoting non-family members, or using an employee stock ownership plan (ESOP). Another option that should also be on the list of considerations is the sale of the business. Succession is not always feasible or if feasible may not be optimal. If the sale of the business is an option to evaluate, important pre-sale planning and action may provide a better result for the client. Advisers that can guide a client to assemble the team necessary to foster these actions may provide a substantial value.

In today's volatile economic environment, the decision to sell a closely held business demands foresight, discipline, and strategy. Owners who take a proactive approach rather than waiting for an event to force their hand may significantly improve their outcomes. Whether the goal is to unlock retirement value, transition ownership, or respond to unsolicited interest, proper preparation is essential to preserving value and ensuring a smooth exit.

## PLANNING AHEAD IS NON-NEGOTIABLE

The worst time to sell a business is when circumstances leave no choice. Unplanned exits often triggered by the "4 D's": death, divorce, disability, or a drop in desire frequently result in rushed decisions and diminished valuations. To avoid this scenario, business owners must incorporate exit planning into their broader estate and succession strategies well before a sale is on the horizon.

This plan should include assembling a team of experienced advisors drawn from existing advisers and new ones where additional expertise is advisable. Addressing personal financial and estate planning goals and objectively evaluating whether a transition to family members or employees is viable, should be part of the analysis. In some cases, a sale to a third party may be the most attractive option, particularly when successors are not involved or interested in taking over.

## BUYERS PAY FOR THE FUTURE, NOT THE PAST

A fundamental misunderstanding among sellers is the belief that historical performance is the primary driver of valuation. While past results are relevant, buyers base their offers on expected future performance. They are investing in the company's ability to generate predictable, growing cash flows going forward. Educating clients pursuing this process is an important role for the advisory team.

Sellers must be able to demonstrate that current performance is sustainable. Temporary boosts such as those driven by pandemic demand surges or pre-tariff stockpiling are often discounted or excluded from valuation models. The focus must shift from legacy success to future trajectory. Advisers should recommend that this analysis be addressed as part of presale accounting and forecasting.

## KEY DRIVERS THAT MAXIMIZE BUSINESS VALUE

To position a company for sale and attract premium valuations, owners should focus on reducing risk, enhancing transparency, and demonstrating growth potential. Several key areas may require attention, and an advisory team should encourage that these, and other appropriate steps to enhance the business, be addressed.

### Diversify Revenue Streams

Customer, product, or market concentration creates vulnerability. Buyers view these dependencies as risks that could negatively impact future earnings. Expanding the customer base and reducing reliance on a handful of customers or products may make the company more resilient and valuable.

### Prioritize Recurring Revenue

Companies that generate predictable, recurring income are significantly more attractive to buyers than those dependent on one-time projects. Subscription based models, service agreements, and long-term contracts may provide revenue stability and better visibility into future performance.

### Strengthen the Supply Chain

Supply chain fragility is a growing concern. Overreliance on a single supplier, especially one overseas, exposes the business to disruption. Diversifying suppliers, qualifying alternate vendors, and maintaining redundancy may modestly affect margins but could preserve long-term value. Buyers will pay more for a company that can continue operating despite global shocks.

### Ensure Financial Transparency

Clean, accurate, and detailed financial records are non-negotiable. Financial statements should be timely, GAAP-compliant, and supplemented with cash flow projections and forecasts. Any one-time charges, discretionary expenses, or nonoperating items must be clearly documented and explained. Transparency builds trust, accelerates due diligence, and reduces the risk premium a buyer may apply. This is a prime area where advisers can help clients seeking to sell their businesses to enhance value.

### Highlight Resilience

Demonstrating how the company weathered past downturns, supply shocks, or market changes builds credibility. Buyers want to know if the business is adaptable and capable of maintaining performance even under stress.

### Emphasize Competitive Advantages

Companies that outperform peers must be prepared to explain why. Superior margins, intellectual property, brand equity, reputation, customer loyalty, or dominant positioning in low-risk, high-growth segments are all critical value drivers. These attributes should be clearly articulated and supported with data.

### Build a Standalone Management Team

A business that cannot function without the owner or a key individual presents significant risk. The existence of a capable, autonomous leadership team is one of the most important factors buyers evaluate. The presence of a strong team ensures that the business will continue operating smoothly post-sale, even if the current owner exits immediately.

### Understand Valuation Trends

Market conditions fluctuate, and so do valuations. Business owners must remain grounded in current realities rather than outdated expectations. Post pandemic valuations are generally lower than pre-2020 peaks and may not recover fully for several years. Sellers who wait for a return to peak multiples may be waiting indefinitely.

Buyers today are more selective and value disciplined, forward-looking businesses. Understanding what drives current deal activity and how to position accordingly can help your clients maximize outcomes even in a moderate valuation environment.

## ELEVATING THE COMPANY'S FINANCIAL PROFILE

Advisers should guide owners on how to evaluate whether their current accounting firm is equipped to produce audited or reviewed financial statements. For buyers, third-party validation of financials increases confidence and can accelerate diligence. If a sale is a future possibility, transitioning to a firm capable of performing audits should be considered several years in advance.

Forecasting is equally critical. Projections should be built on sound assumptions and reflect the company's actual operating model. Sensitivity analyses, detailed assumptions, and documentation of key drivers will be closely scrutinized during the sale process.

## SUCCESSION REALITIES AND ESTATE PLANNING

A closely held business often comprises the majority of a business owner's net worth. It is not only a vehicle for personal income but also a cornerstone of retirement and estate planning. Decisions about how, when, and to whom to transfer ownership carry long-term implications for wealth preservation and family dynamics.



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Business owners must realistically assess the capabilities and interest of potential successors. In too many cases, assumptions are made about a child or employee's readiness without objective evaluation. Engaging a third-party consultant to assess leadership aptitude, industry knowledge, and commitment can help determine whether an internal succession is feasible, or if an external sale is more prudent.

## EXPERT ADVISORS PAY FOR THEMSELVES IN A BUSINESS SALE

A critical but often overlooked element of preparing for a successful sale is identifying what skill sets existing advisers cannot provide for the proposed sale and then assembling a seasoned team of advisors to fill any gaps in the existing team. While business owners are experts at running their companies, most have little or no experience selling one. The process is complex, emotional, and filled with financial, legal, and strategic pitfalls. Surrounding your client with a team of professionals who have deep experience in business sales, and related planning areas (estate planning, income tax planning, etc.) can make a substantial difference in the end results for the client.

As part of preparing for the sale, the transaction should be structured to maximize after tax proceeds from an estate tax perspective, if applicable, as well as from an income tax perspective. This may include shifting value outside the owners' estates using gifts, note sales, and other techniques. The earlier in the process that is done the better from the standpoint of shifting value outside the estate. Each step in the process of packaging the company for sale, and committing to a buyer, even hiring the investment banker, may increase the value that may be applicable to the estate planning. There may be advantages to gifting some of the equity to a charitable remainder trust (CRT) early in the process. As another example, the One Big Beautiful Bill Act[1] (OBBBA) enhanced the benefits from sales of qualified small business stock (QSBS), which applies to QSBS treated for tax purposes as issued after July 4, 2025.

**These changes include:**

- A tiered benefit structure allowing holders to access 50% of the eligible gain exclusion after three years, 75% after four years, and 100% after five years.[2]
- An increase in the QSBS gain exclusion cap from $10 million to $15 million, with the cap indexed for inflation for tax years beginning in 2027. For transactions in 2026 it may be possible to bridge the effective date by gifting stock to a CRT.[3]
- An increase in the limit on the size of a qualified small business from $50 million to $75 million, with the threshold indexed for inflation.[4]

An experienced investment banker plays a central role in preparing materials, identifying and qualifying potential buyers, and most importantly, creating a competitive bidding environment. This competition drives up valuation. It may also place the seller in a stronger position to negotiate more favorable terms, reduce risks, and close on the best deal possible. Without this level of expertise and advocacy, business owners risk leaving significant value on the table.

## VIEW THE SALE AS A PROCESS - NOT AN EVENT

Far too many owners underestimate the time and effort required to prepare a business for sale. The steps outlined above, and in Exhibit 1 (next page), from estate and income tax planning, to enhancing the company value, all require strategic intent, operational execution, and a commitment to long-term thinking. Companies that plan early, de-risk intelligently, and maintain strong financial discipline are far more likely to achieve a successful exit on their own terms.

This readiness creates flexibility and puts owners in control of their future. Even if a sale is not currently on the table, business owners should operate as if one is always a possibility. That mindset ensures the company is well-positioned, whether to capitalize on unsolicited interest, respond to market shifts, or simply secure the best possible outcome when the time is right.

### End Notes

1. H.R. 1, 119th Cong. (2025).
2. OBBBA section 70431(a)(1).
3. OBBBA section 70431(b)(4).
4. OBBBA section 70431(c)(1) and (c)(2).

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***About Michael Richmond***
Michael Richmond is a Managing Director at The DAK Group, a leading investment bank specializing in middle market, privately-held companies. Mike works directly with middle market business owners as they explore the sale of their companies or consider an acquisition and assist entrepreneurs in determining the most advantageous method and most profitable time to exit their company: mrichmond@dakgroup.com.


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| Exhibit 1: Action Checklist for Business Owners |
| --- |
| By approaching a business sale as a comprehensive strategic process anchored in preparation and realism advisers can guide owners to turn uncertainty into opportunity and create long-term value for themselves, their families, and their stakeholders. |
| ▪ Engage experienced legal, tax, and related advisors to evaluate income and estate tax planning before further steps are taken to enhance the ability to secure tax advantages.<br>▪ Engage experienced corporate legal counsel and investment banking advisors to guide the process and advocate for your client's interests.<br>▪ Evaluate whether a sale should be part of succession or estate planning.<br>▪ Diversify revenue and reduce dependence on specific customers or products.<br>▪ Shift from project-based work to recurring revenue models.<br>▪ Maintain alternate suppliers and protect against supply chain disruption.<br>▪ Produce transparent, accurate financial statements with supporting documentation.<br>▪ Emphasize company strengths and differentiators.<br>▪ Build and promote a strong, self-sufficient leadership team.<br>▪ Monitor and understand market valuation trends.<br>▪ Consider engaging a reputable accounting firm for audited financials.<br>▪ Objectively assess the capabilities of potential successors, whether internal or external. |