



**National
Restaurant
Properties**©

“The Restaurant Store”™
805 Woodland St. #319
Nashville, TN 37206
(615) 730-6529

EACH OFFICE IS INDEPENDENTLY OWNED AND OPERATED

How to Plan For Selling a Restaurant

Restaurant owners decide to sell their businesses for many reasons: retirement, divorce and “burn out” are among them. But regardless of why a sale is being considered, the owner must plan the sale properly or face major disappointment. Today’s buyer market is tight, with many foodservice and other business opportunities available and the prospective buyers can be extremely difficult to please.

Grooming the business for sale can mean the difference between selling it at a considerable loss or receiving a good sales price for the restaurant. More often than not, most sellers are too busy operating the restaurant to take the basic steps necessary to put the facility in a salable condition. When preparing the business for sale, both the tangible or “hard” assets and the intangible or “good-will” portion of the assets must be professionally addressed and presented in the best possible light to prospective buyers. The most obvious starting point would be the general cleaning up of the hard assets! Business buyers associate a clean restaurant with a professional, profitable operation, and will often pass over a good opportunity simply because of poor sanitation and cleanliness. Areas of concern to prospective buyers include:

- ❑ **Exterior:** restripe parking lots; repaint where needed; scrub can-wash areas; mow grass and trim shrubs; clean windows and signs.
- ❑ **Dining:** professionally clean carpets, flooring, walls, table bases, chairs, counters and cashiers stations; exterminate; scrub and paint restrooms.
- ❑ **Kitchen:** service and clean the hoods and fire control systems; service the major equipment; document equipment age, condition and date serviced.
- ❑ **Mechanical systems:** service the heating and air-conditioning systems, and document.

Cleaning up and grooming the intangible assets is just as important in obtaining a good sales price as scrubbing the bathrooms. Buyers will want to pay only for the depreciated hard assets of the business if they can’t determine the existence or the extent of the “good-will” portion of the business. Documentation is vital, because financial claims that can’t be proven turn off buyers. Crucial areas to address and document are:



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- ❑ **Financial books:** the most important and often most neglected area is the documentation of sales, purchases and expenses. This is what the buyer is really buying – the cash flow and profits of the business! The seller should have a minimum of three years’ income statements, backed up with monthly sales tax reports and tax returns for the business. Astute buyers will adjust the financials to determine cash flow and discretionary income but will not buy the story of a seller having “no books!”
- ❑ **Legal:** the seller should consult with the restaurant’s attorney and bring all corporate books up to date. Discuss the possible structure of the sale with your legal advisor and partners or stockholders. Have on hand file copies of property and equipment leases, insurance policies, and any documents regarding trademarks, copyrights or logos.
- ❑ **Employee files:** have separate files for each employee, documenting hourly wages and benefits, in addition to the standard withholding forms, I-9s, etc.
- ❑ **Menus, recipes:** institute price increases and menu changes before putting the business on the market. Print new menus if necessary. A recipe manual is worth its weight in gold to the new owner!
- ❑ **Public relations:** create a portfolio of newspaper articles, advertising and any good photos of the restaurant.

A meeting with your accountant is often required to create or adjust the historical financials of the business. Poor financial documentation is the number one cause in preventing restaurants from selling in a timely manner and at a fair market price. A smart seller who has neglected his books can elect to have his financial advisor adjust and recapture lost sales, even if it means paying a tax penalty.

A professional restaurant broker can assist in the preparation of the selling package, and help in the overall grooming of the business for sale. This allows the owner to operate the business while the broker prepares the marketing package, locates and screens prospective buyers, and submits offers to the seller.