

Tools of the Trade- Writing a Sales Memorandum

One of the most useful tools in marketing your business is a selling memorandum. The first real piece of documented information a buyer will receive about your company, the selling memorandum allows you to introduce your business to potential buyers, presenting all the important information about your company, your product, and your industry. This is your chance to present your business in the best light and to answer the most commonly asked questions about your business. Buyers will refer to this document through the sales process.

When creating your selling memorandum, you should try to point out the highlights of your business, but also present information factually and truthfully. Ultimately, you want to present as much information about your business as possible, in as positive a light as possible. However, don't try to hide the truth or mislead buyers in any way?it will only come back to haunt you during the due diligence process. If there are problems with your business, this is a good place to try to offer an explanation and a solution.

Since, in essence, this is a marketing piece, if you're working with a broker, they'll probably prepare it for you. However, with the advice provided here, you can easily create this document yourself. Either way, make sure to ask your lawyer or your CPA for their assistance, or refer to a selling memoranda writing service if necessary.

While writing your sales memorandum, focus it specifically toward your buyer, and use this opportunity to sell your business. However, don't reveal too much. This is a sales tool, not a dissertation. And keep in mind that potential buyers are usually required to sign a confidentiality agreement before receiving this document.

Before you get started, remember that while you are trying to get buyers excited about your business, you don't want to overwhelm them. Keep things short and sweet, ensure complete accuracy, and present information in an easy-to-understand manner. Buyers are after clear, concise information. Here's your chance to give it to them.

You'll start with an introduction of your business. Tell the buyer why you're selling, and lay out some of the key benefits and highlights of your company. Offer a brief history of the company and let buyers know what you consider to be the keys to your success.

Next, let buyers know what you're looking for. Present your asking price, and feel free to offer an explanation of how you arrived at it. Let buyers know what assets, if any, are included and lay out the basic terms of the sale.

Move on to offer a general analysis of the industry and current market trends. Then evaluate your company's place within it. Describe your company's main customers?not specifically, but in general terms that will reassure the buyer they exist.

You'll also want to highlight any specialized benefits your company has?from patented or trademarked products to a strong management structure that will remain in place after you sell. Discuss lease arrangements and contracts with your service providers, and outline the benefits of those preexisting arrangements.

Next, include a summary of financial data from the last three years, along with quarterly breakdowns. Offer explanations or high growth trends as appropriate.

And finally, offer a long-term assessment of what you see for your company in five years, along with strategies and ideas needed to achieve those goals. Remember, while you should certainly be optimistic, also be realistic.