SELLING YOUR BUSINESS?
WHAT YOU NEED TO DO NOW
REASONS FOR SELLING A BUSINESS

• 1. You want to retire
• 2. Financially the business is not sustainable
• 3. Health Reasons
• 4. You are tired of running the business
• 5. The business needs a recapitalization for growth
TIMELINE FOR SELLING A BUSINESS

• The more complicated the transaction, the longer it takes
• 3 months to 2 years depending on the size of the business
• 80% of the businesses that are listed to be sold are never sold!
FIRST STEPS

• Determine a purchase price and what it includes:
  • 1. Do not use the make me an offer approach or what do you think its worth approach
  • 2. Don’t have a range ie somewhere between $1.5 and $2.0 million
  • 3. Purchase price should be with all Company debt paid off.
  • 4. Develop a list of assets that the buyer would get.
  • 5. Do you have a future role in the business post sale?
  • 6. Price of the business is determined by Earnings
GATHER DOCUMENTS FOR INTEREST BUYERS

• 3 years of Business or personal tax returns
• At least 3 years of annual P&L and Balance sheets
• Copies of leases and contracts
• History of the business
• List of assets/Inventory
NEXT STEPS

• Develop a marketing plan for the sale:
  • Who would be interested buyers
  • Why are they interested
  • What advantages does buying your business give them?
  • Where and how do you best market it?
  • What are the pluses and minus of using a business broker
  • What are options for marketing it?
  • Decide whether you want to make the sale public or keep it quiet
DETERMINE THE TYPES OF POTENTIAL BUYERS

• A. Local retail or restaurant is appealing to local buyers.
• B. Companies with nationwide sales may be attractive to larger buyers.
• C. Could your business grow with new investment?
• D. Is your business a lifestyle business?
• E. Can your business be relocated?
GETTING THE MESSAGE OUT

• Marketing your business for sale depends on the type of business and the size of the business.

  • Ways to market your business include the following: Industry trades journals or websites, websites that list businesses for sale, using a business broker, or word of mouth.
  • Other Ways
YOU’VE FOUND AN INTERESTED BUYER. NOW WHAT?

• Is the buyer qualified and do they have industry or related experience?

• Can they get the financing?

• Has the buyer talked to their bank about financing?

• What do you have to disclose about your business?
  
  • Lawsuits
  • Environmental Issues
  • Employee issues
  • Relationships with customers and suppliers
  • Off-balance sheet financing
  • Real Estate Leases
FINANCING THE PURCHASE

• While finding a buyer with all cash is a nice hope, the buyer will probably need to seek financing

• Would you as the seller be prepared to hold a portion of the debt?

• Understand how A/P and A/R may impact purchase price

• Many deals will require multiple loans. One for real estate, another for other assets, and goodwill and a line of credit.

• Do your earning support the purchase price?
NEXT STEPS

• Letter of Intent (LOI)
  • Outlines additional information that the buyer wants to gather and review to determine if they want to go ahead with the purchase
  • Usually, 60-90 days
  • Seller would end discussion with other interested parties over this time period and allow buyer access to all requested Documentations.
  • Buyer could talk with key employees, customers and suppliers
NEXT STEPS-2

• Purchase & Sales agreement between buyer and seller
  • This agreement will outline all the terms of the purchase:
    • At a minimum would include purchase price, what’s included in the purchase, and a timeframe for a closing. Usually 60-120 days.
    • May be dependent on obtaining financing
    • Banks may require a signed P&S to begin the loan review process.
    • Other issues or concerns the buyer wishes the seller address
CLOSING

• Transfer of Ownership of the business to buyer and payment made to the seller.

• Can be complicated based on the size and type of business

• Need to communicate to the employees, but when to tell them?

• Be sure to inform customers and suppliers about the change of ownership and address whether the seller will have a role with the business going forward.
QUESTIONS

• How long will this take?

• Should the seller participate in the financing?

• What’s Goodwill?

• Is there a role for the seller after the sale?

• How do I get the most for my business?
QUESTIONS CONT.

- What’s a Non-Compete agreement?
- Stock Sale or Asset Purchase? Which is best?