



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 earnings 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?