

Introduction

Sooner or later, you, like every business owner will need to transfer ownership of your business. Selling the business is the final part of your role in building it. For most business owners, this is an emotional and sometimes overwhelming event.

Like you, many business owners have built the company or owned it for years, even decades; they are at it night and day, 24/7: thinking about the business, cultivating customer relationships, solving problems even while out to dinner with your family and in the middle of the night while your family sleeps. You eat it, drink it and sleep it. You live the business and it may define you more than you realize. It is no surprise then, that selling the business is an emotional process.

It's also a complex process. There are financials to audit, profitability to demonstrate, operations to tighten, confidentiality to maintain, titles to transfer, a price to negotiate and much more. In addition, you must continue to operate the business during the process. The broad complexities will become even more apparent as you read on.

We understand the complexities and the emotions involved in selling a business. After all, we've helped hundreds of people sell their businesses, and we've learned something from every sale. We've also watched people make mistakes – which is one of the big reasons for writing this book. The more you know about the processes, the fewer mistakes you'll make when selling your business. Which means more money in your pocket.

The principles this book lays out generally apply to every business because in the mergers and acquisitions (M&A) industry every seller should be represented by highly experienced and strategic-minded M&A professionals, including business brokers, financial planners, estate planning attorneys, insightful and knowledgeable Certified Public Accountants (CPA) and transaction attorneys.

One group of owners that will be particularly interested in the process explained in this book is the “middle market.” By middle market we mean businesses smaller than multinational corporations, yet larger than “Ma and Pa” businesses. Large corporations and small businesses have needs met through alternative channels. That leaves middle market business owners to figure it out alone.

The biggest challenge we see is that business owners are islands; you're out there by yourself, isolated. You do everything: buying inventory, pricing, sales, controlling expenses, resolving a human relations issue. Simply put, you need help to sell your business and maximize the value while minimizing the tax ramifications. You need a guide. That guide is the business broker and this book explains why the broker can be valuable to you.

The business broker helps you get ready to sell your business early while you have control over the factors involved and have the time to maximize its value

The Business Broker

While selling your business may be a daunting task, there is help available to guide you through the process. That person is the business broker. A business broker performs several roles in the process of selling your business. Generally, the business broker can be seen as a facilitator who brings to the process many talents and experiences.

An experienced business broker is essential to maximize the value you receive for your business, which is critical to completing the selling process. The broker looks at the big picture process of the sale while managing the details. When dealing with a qualified business broker, you will have a sense that the sale is moving forward, that momentum is developing, that the parties to the deal are communicating, and that you are being professionally represented.

The business broker markets and sells your business so you can focus on running it. The broker will target and contact the major buyer groups.

The business broker helps you assemble your professional advisory team, including: a financial planner, an estate planning attorney, a CPA and a transaction or M&A attorney. Because each sale is different and each owner's needs vary, you may or may not choose to use each of the advisors outlined in this book. It ultimately is your decision whom to include. If you are unsure about which of the advisors you need, your business broker can recommend professionals in each area of expertise whom you can interview to help you make an informed decision.

The business broker educates you on the selling process, facilitates the collection of necessary documents and consults with your advisors when necessary. For example, a business broker should negotiate the deal according to your advisors' strategy to minimize tax ramifications for you.

The business broker provides practical advice about the timing of selling your business...he's a valued business advisor

The business broker guides you through "seller's remorse." Seller's remorse is a common and a normal part of the process. Careful guidance by the business broker will help the seller through this period of panic, stress and doubt. Resolving those concerns quickly allows the selling process to move forward with decisiveness and vigor.

The business broker provides practical advice about the timing of selling your business. Perhaps, for example, with a few changes here and there, you can keep your business and still achieve the near term lifestyle that you want. An experienced broker will tell you this even if it means foregoing an immediate engagement.

The business broker is a valued business advisor, just like the other advisors you already have. The only difference is that while other advisors help you grow, operate and account for your business, the business broker helps you sell it.

Above all else, the business broker is your advocate. The broker will make sure that you understand the attorney's legalese and the CPA's recommendations. If you are uncertain or uncomfortable about any aspect of the process, the business broker can ask the necessary questions for you to make informed decisions. The business broker then is your guide through the process of selling your business.

*How many times have you thought to yourself:
"I just don't have enough time to do the things I
want"?*

The Seller

What are your responsibilities in the selling of your business?

You have several responsibilities in the sale of your business, key among them are: a good reason for selling; continued operation of the business through the selling process; and open representation or full disclosure.

Throughout the process, you are advised to run the business as if you are going to keep it for many years to come, not to let up on the process of managing it and to continue to do all of the things that have made your business successful over the years. This is not only good for you in the event the sale does not go through, it is also good for the buyer because your business has been managed properly during the selling process.

In the event you just want to test the market or assess valuation, the opportunity to complete the sale is slim to none. As you read this book you will begin to see that you only get one good chance to market and sell your business at maximum valuation. Testing the waters for valuation purposes usually backfires and ends up devaluing the business when you are finally serious about selling. Serious buyers will not spend the time and money to evaluate your business a second time.

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Finally, full disclosure is a common term used in transactions. It is important for you to fully disclose all aspects of your business and your history at the business. If you perceive a problem, the business broker can find someone to help you fix it. It may turn out to be minor or a non-issue. It's important to address all issues as early in the process as possible, because, as we'll see in a later chapter, the buyer's team of advisors will discover it. If dealt with early, then the issue may not affect the process.

Once a buyer steps forward, a period of due diligence ensues. During this period, you are expected to "open the books and unlock the doors." The prospective buyer and his or her representatives must be given complete access to all aspects of your business. In return, you can expect complete confidentiality.

Key Steps & Time Frames for Successful Sales

The selling process can be complex; it takes time to put together the deal. While timelines vary from several months to several years, a typical process may take up to a year from the first discussion until closing.

The steps and timelines are listed on the next page.

Key Steps & Time Frames for Successful Sales

The successful sale of most companies generally follows predictable steps as listed below. Once you have retained your business broker, these are the steps used to find and select the best possible buyer for your business.

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| Develop Marketing Strategy & Materials | 3-4 Weeks |
| <ul style="list-style-type: none">1) Discuss estate/tax planning2) Assemble team, i.e. CPA, M&A attorney3) Prepare Sales Information Book4) Create buyer list/marketing strategy | |
| Market Business for Sale | 6-8 Weeks |
| <ul style="list-style-type: none">1) Mail letters and business profile to prospective buyers2) Follow-up with telephone conferences3) Evaluate and financially qualify buyers4) Obtain signed confidentiality agreements5) Send out sales information books | |
| Screen Prospective Buyers | 6-8 Weeks |
| <ul style="list-style-type: none">1) Refine list of interested buyers2) Receive and evaluate bids | |
| Finalize Transaction | 8-12 Weeks |
| <ul style="list-style-type: none">1) Conduct management presentations2) Assist in review of purchase agreements3) Support due diligence process | |
| Closing | 4-8 Weeks |
| <ul style="list-style-type: none">1) Assist with documentation to facilitate the closing of the transaction2) Assist the seller with post-closing issues | |

Moving Forward

This book will explain the process of selling your business and why you need an experienced business broker to guide you through the process. It's not intended to be a "do-it-yourself" book because you shouldn't try to do it yourself. If you learn only one thing from this book it should be this: seek professional advice early, and rely on professionals during the process.

The process laid out in this book is full service and broad based. It's a process developed over a quarter century of experience in building, operating, buying and selling businesses. Because not all brokers service their clients in the same way, it is important to discuss the engagement with your broker in detail and require an engagement letter that states clearly what services the broker will perform and what fees will be charged.

If you do the things laid out in this book, you too will have the kind of professional representation that large corporations enjoy while selling your business. But you won't have to employ teams of attorneys and accountants. This book will describe the process and explain how, by contracting the sale of your business with an experienced business broker, you can rest easy and keep more of your money at the end of the process.

Whatever the deal looks like in the end, you will need to begin the selling process with careful preparation.