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Questions Business Owners Ask When Selling Their Business

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Frequently Asked Questions

WHY SHOULD I CONTRACT A BUSINESS BROKER?

Business Brokers understand the market and the quickest path to achieving a closed transaction. SO YOU CAN STAY FOCUSED ON RUNNING YOUR BUSINESS - This is important so your business stays profitable and marketable. Having a third party involved allows you to keep an arm's length in the negotiations.

MARKETING AND ADVERTISING

Designing a marketing plan specifically targeted to the types of buyer that would be interested in the business is a key factor. Business brokers use data bases of buyer prospects professional associations, and investment groups. Target marketing through trade publications, direct mail, and Internet sites specifically for business transactions may be used to reach buyers. Advertising in newspapers both local and national are typically used.

QUALIFYING BUYERS

The business broker will focus on those prospects who are financially qualified and who are genuinely interested in the type of business.

PRESENTING THE BUSINESS

The professional business broker is experienced in handling negotiations. The broker also offers the seller convenience of continuing to manage the business while the selling process is underway.

MAINTAINING PRIVACY AND CONFIDENTIALITY

Business owners are extremely concerned about confidentiality. A professional broker is skilled at protecting the confidentiality from the employees, suppliers, creditors, and customers of the business.

NEGOTIATING THE BUSINESS SALE TRANSACTION

The business broker will be a vital advisor during the sale transaction. Knowledgeable about negotiating price, terms, and other key aspects of the sale, the broker will guide the seller each step of the way. Proper deal structure will greatly affect the net amount that the seller will end up keeping after selling the business.

HOW MUCH IS MY BUSINESS WORTH?

The value of your company depends on many factors such as: Who is buying the business, what is the cash flow, asset values, financial history, condition of equipment and premises of the business. Are there favorable lease terms, what is the competition, location and the economy? As you can see analyzing your business and comparable sales in your industry is imperative. Solutions Consultants Business Brokers can advise you on the proper pricing strategy for your business based on all of these factors.

The biggest mistake you can make is to over or under price your business! It is Imperative to do a third party valuation. Not only for you to know the true market value of your business so you can price it right, but most financial institutions insist on a business valuation before they will consider financing. In addition, businesses that have third party valuations sell more frequently at the asking price than those that don't have one. It provides the buyer with the confidence that the business has been analyzed and priced. Why not sell my business myself? It is extremely difficult to maintain your business while engaging in the selling process.

Most owners do not know the time and expense involved in marketing their own business. They will often spend wasted hours working with unqualified buyers. In fact, because the business owner does not have access to a network of qualified buyers, they often end up selling their businesses for much less than they could have. It is very hard to maintain confidentiality as well as negotiate a deal if the business owner is working directly with the buyer. Using a Broker can ensure the highest dollar.

WHEN IS THE BEST TIME TO SELL?

The best time to sell is at the businesses peak. Buyers put most of their focus on the future prospects, if your business has been a steady performer and they can see growth potential, the higher the purchase price.

WHY SHOULD I USE SOLUTIONS CONSULTANTS BUSINESS BROKERS AND THE SCBB TO SELL MY BUSINESS?

Solutions Consultants Business Brokers will help you get the best value for your business. We will save both buyers and Sellers money by avoiding costly mistakes in the selling process. Our National Affiliation with the SCBB network enables us to utilize our affiliate offices worldwide to aid in selling our listings. Solutions Consultants Business Brokers will help you get the best value for your business. We will save both buyers and Sellers money by avoiding costly mistakes in the selling process.

* Bottom Line, by using us to sell your business you get:

- * Maximum Exposure
- * Confidentiality
- * Qualified Buyers
- * Advertising and Marketing
- * Financial Guidance
- * Negotiating Power
- * Ability co-broker with our affiliates
- * Experience Proven Results

WHAT ITEMS DO I NEED TO PREPARE IN ORDER TO SELL MY BUSINESS?

- * Gather Documents for Evaluation:
- * Three Years of Income Statements or Tax Returns
- * Current Balance Sheet
- * Current Asset List with replacement value
- * Copy of Facilities Lease Agreement
- * Organizational chart

We assist you in putting together a professional marketing package. A professional business broker is never the expert in your business or the industry. That expertise comes from the business owner. The broker is the marketing expert. Preparing a marketing package for your business requires that the owner and the broker work together to determine the strengths and weaknesses of a company and how they could impact the marketing of your business.

WHEN SHOULD I DEVELOP AN EXIT STRATEGY?

The sooner the better. The ideal time to develop an Exit Strategy for your business is when you start or purchase the business. However, industry statistics indicate that 85% of all business owners do not have a defined exit strategy although, on average 75% of their net worth is tied up in their business.

IS MY COMPANY READY FOR SALE?

The company's financial records and operations must be evaluated and analyzed to determine the strengths and weaknesses of the company. Proper planning will help you address and hopefully minimize any operational or financial weaknesses of the company before launching the marketing phase of the disposition process.

WHAT IS MY COMPANY WORTH?

The market price range of your company is estimated after consulting with all of your team members (accountant, valuation expert, M&A specialist) and evaluating all of your goals and objectives. Timing considerations, proposed transaction structure, industry conditions and lending market conditions are all key elements to consider in estimating the market price range for your company.

HOW LONG WILL IT TAKE TO SELL MY COMPANY?

The industry average for selling a business is 6-12 months. The size of the transaction, the pricing structure, and specific marketing strategy will directly affect how long it will take to sell your company.

HOW DO I MAINTAIN CONFIDENTIALITY IN THE MARKETING PROCESS?

Confidentiality in dealing with internal personnel and external sources is strongly encouraged and is critical to achieve a successful transaction. For the Seller's protection, Solutions Consultants Business Brokers requires a Buyer's Confidentiality Agreement to be signed by the potential buyer before the release of the Business Memorandum.

HOW DO I PREPARE TO BUY A COMPANY SHOULD THAT BE MY INTEREST?

We will assist you in determining your acquisition goals and objectives. Before the acquisition search begins, it is important to narrowly define and target a specific industry, business size, develop an integration plan if applicable, understand your financial purchasing parameters and explore your financing options.

WILL SOLUTIONS CONSULTANTS BUSINESS BROKERS HELP ME ARRANGE FOR FINANCING?

Yes, we assist Buyers in obtaining transaction financing through our extensive financial institution network. We counsel you on the variety of transaction financing options that are available and assist you in evaluating these options as they pertain to and your specific potential business acquisition.

DOES SOLUTIONS CONSULTANTS BUSINESS BROKERS ASSIST IN STRATEGIC ACQUISITIONS?

Yes, we will formulate with you a definitive acquisition plan to target both single and multiple acquisition candidates. If you prefer, we will help you remain anonymous and maintain confidentiality until the appropriate time in the transaction.

WHAT IS A BUSINESS VALUATION?

A business valuation is an estimate of the value of a business or of an interest in a business.

Should the value of a business have any relationship to the value in the marketplace?

A business valuation should consider the market value that a buyer could reasonably be expected to pay, and that a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, both buyer and seller being in possession of the pertinent facts, and neither being under compulsion to act.

WHY ARE VALUATIONS DONE?

A valuation may be necessary to sell a company, to buy a company, to sell shares of a company to key employees, to settle estates, for divorce property settlements, insurance purposes or to simply keep informed of the company's value as growth takes place.

WHAT INFORMATION SHOULD BE USED TO COMPLETE A VALUATION?

Solutions Consultants Business Brokers uses proprietary information for valuations such as tax returns and accountant prepared financial statements for up to five fiscal years. We also incorporate interviews with the principal and employees, tours of the business facility, reviews of customer lists, tangible business assets, general operating and management information, and other information concerning business operations. Analysis is also done to compare the

company's financial performance to others within the same industry.

WHAT IS DONE WITH ALL OF THIS BUSINESS INFORMATION?

The basis of any valuation should be the analysis and reconstruction of business earnings, an assessment of current business assets, and an opinion of the future of the business. The valuation considers the continuity of business income, market competitiveness, industry growth, company longevity and reputation, financial trends, management depth, customer mix, the quality of the products and services offered, and the general desirability of the business.

WHAT ARE MORE IMPORTANT, BUSINESS EARNINGS OR BUSINESS ASSETS?

It is true that earnings must support the purchase of business assets. It is also true that assets must be available to serve as financial or even "psychological" collateral. A common finding is that the mix of assets and earnings will vary considerably among businesses. This mix is then judged accordingly for that particular business.

HOW ASSETS AND EARNINGS ARE BEST DISPLAYED?

In most valuations it is necessary to reconstruct the tax oriented income statement and balance sheet to display the information as it would appear to a new owner.

For example, the income statement may need to be adjusted to better show the pre-tax earnings that a business can generate. This is necessary since an income statement is prepared for tax purposes and in general will attempt to lower taxable earnings. For example, a business may show a non-cash expense such as depreciation, in excess of what would be necessary for a reasonable replacement fund. Also, an owner may be receiving a salary that is either too high or low for the work that is being performed. Both of these cases will require adjustment. Another adjustment is usually required for interest expenses since a new owner will have a different debt and equity structure than the current owner. There may also be other adjustments on expense items which are not necessarily important for business operations but considered important to the owner as additional benefits or compensation.

In addition, a company's balance sheet may display equipment that is fully or almost fully depreciated, but that has a higher fair market value. The balance sheet may also display certain assets such as franchise fees or real property at cost, but they may actually have appreciated in value. Conversely, there may also be unrelated business assets that should be eliminated. These and other adjustments to a company's book value of assets need to be made in order to show the current fair market value.

What are the Top 10 reasons why businesses don't sell?

1. Priced too high.
2. No justification for the price.
3. Business cannot be financed.
4. Poor record keeping (tax returns).
5. Not packaged correctly.

6. Need to explain full value of the company in writing. Buyers want to leverage their money.
7. Desirability (owner's responsibility and hours required to operate successfully).
8. Management and employee not staying after the sale (family owned).
9. Out dated service and/or product (i.e., payphone business).
10. Too much working capital required.

SOME ADDITIONAL POINTS TO CONSIDER:

Asking Price Must be reasonable and fair to both seller and buyer.

DEAL STRUCTURE AND FINANCING

Is owner financing a consideration? Does this company have the potential for SBA approved financing? Sales and Earnings Are revenues going up, down, or flat?

What are the trends in expenses and margins? Company History

IS THIS COMPANY A STARTUP OR IS THERE A LONG, STEADY HISTORY?

Marketing Strategies Is there an opportunity to improve sales through a more aggressive marketing campaign? Industry Trends? How are revenues trending in the industry as a whole? Is there a consolidation movement within this industry?

Employees Is there a stable workforce? Do the employees know the business is for sale? Is the owner willing to stay on as an employee? Facilities Is there a

long-term lease? Is real estate included in the deal? Assets and Liabilities Exactly what assets and liabilities are to be transferred with the sale of the company? Does it make sense to include accounts receivable and accounts

payable? Are there some assets or liabilities that it makes sense to exclude?

As you can see, there are many things to consider when selling your business.

We are ready to help you if you have the need.

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