

SELLING YOUR BUSINESS

a quick overview

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WHY SUCCESSFUL BUSINESSES ARE SOLD

Owner Retiring

Health Issues

Partnership Disputes

Owner and/or family members relocating

Owner burnt out

Owner does not want to upgrade

Owner can't handle business, feels overwhelmed

What Buyers Look For

Provable books and records

Training

Reasonable price

Appearance

Leverage and terms

Covenant Not to Compete

Living wage (after debt svc.)

Good reason for sale

Fixed assets (equipment)

Time is of the essence

Lease

No last minute surprises

What is a Business Worth?

Depends on perspective of each individual buyer (income, debt service, ROI)

Value is related to risk and the ability of the business to generate an income stream comfortable to buyer

What is a Business Worth?

Basics:

Current value of fixed assets (equipment, vehicles)

Review earnings trends (3-5 past years)

Recast, normalize, confirm

Review factors that impact future earnings

Select appropriate valuation approaches

Asset approach

Market approach

Income approach

What is a Business Worth?

Common Averages:

2-5 times discretionary earnings

FMV of assets + one year's discretionary earnings

Percentage of annual gross sales (25%-100%)

In final analysis, final price must pass sanity test:

Must cover debt service

Must provide reasonable income for buyer

Must allow for working capital fluctuations

Financing a Business Acquisition

- Buyer's Cash (always)
 - Typically 20% - 50%, may include Home Equity Loan
- Seller Financing (usually want at least 10%)
- Institutional Financing ("SBA" lenders)

WHAT SELLS YOUR BUSINESS

Commitment to sell

Documentation

Valuation and pricing

Terms

Packaging

Advertising

Confidential exposure

Qualifying buyers

Showing/tour

Offer to purchase

Mutual acceptance

Contractual
arrangements

Due diligence

Contingency removal

Escrow

Closing

Do's and Don'ts

Do's:

Keep good records
Allow sufficient time
Offer terms
Consult skilled
professional

Don'ts:

Wait too long to sell
Underestimate the value
Overprice your
business
Pay large amounts for
appraisals and legal
fees

Q & A

When is the best time to sell?

A: When business is doing well.

How much is my business worth?

A: Depends on cash flow, asset value, historical financial performance, future expected performance, competition, location, industry, and the economy. Primarily its ability to provide income to buyer and retire debt.