

*SELL THE BUSINESS,  
NOW MOVE ON*

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# Why Should I Sell Now?




- Retirement- play golf, vacation and volunteer
- Financial reasons
- Health issues
- Another business opportunity
- An employee to sell to
- Family time
- The time is right

# Where To Look For A Potential Buyer

- ❖ Employee with enough funds and experience
- ❖ Close relationship with a customer
- ❖ Competitor that could merge the two businesses
- ❖ Buyer through networking
- ❖ Buyer from a business broker

# STEPS TO GET READY TO SELL

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- ❖ Start the process several years in advance.
  - ❖ Strengthen your weak areas such as financials, operation, sales, employees, etc.
  - ❖ Get ready to showcase your business and benefits to the customer.
  - ❖ Determine the value of your business, not just your numbers – it will increase your sale price.

# Keep the sale quiet

- ▶ Employees
- ▶ Customers
- ▶ Vendors
- ▶ Competition
- ▶ General Public

Rumors and gossip can create negative information to minimize your selling price

# WHY SELL WITH A BUSINESS BROKER

- ❖ Will this be an asset sale or stock sale?
- ❖ Hiring the right broker – the seller the pays the fee.
- ❖ They're the matchmaker with potential buyers who will all sign a confidentiality agreement.

# WHY SELL WITH A BUSINESS BROKER (cont'd)

- ❖ Prepare a selling summary of your business history, product lines, customer base and financial strength.
- ❖ Time to set the purchase price – avoid overpricing but maximize your ending profit.
- ❖ \*Also – sell through your networking contacts.

# When the buyers come knocking

- They will be reviewing your financials – profit & loss, balance sheets, cash flow, and income tax.
- Show all profits
- Your accountant and lawyer should be ready to start helping
- Look for letters of intent
- Payment terms – If not paying in full negotiate a downpayment with taking a note payment



# SELLER'S DUE DILIGENCE

If there is a buyer's note for the balance – seller has the following rights to minimize the risk:

- Request a larger down payment
- Increase the purchase price
- Fair interest rate
- Personal guarantee
- Security agreement to recover buyers assets

# SELLERS DUE DILIGENCE (cont'd)

\*Also:

- Check buyer's financials
- Source of funds
- Credit rating
- Bank or credit defaults
- Any lawsuits
- Starting working capital
- Business plan

# GET READY FOR BUYERS DUE DILIGENCE

Here is the buyer's list -they have the right to dig in

\*Avoid any deal breakers\*

They may request the seller to sign a non-compete

# Buyer's Due Diligence

1. Organization set-up structure: LLC or sole proprietorship or S-corp or C-corp and organization chart if needed
2. Financials: 3-5 years of income
  - Tax filings, financial statements including: profit and loss, balance sheet and cash flow reports
1. Computer systems:
  - Quickbooks or other financial reporting
  - Customer records, invoicing, inventory control, accounts receivable, accounts payable, expenses, etc.
1. Physical assets - inventory, equipment, computers, vehicles, office furniture, etc.

## Buyer's Due Diligence (cont'd)

5. Facility – owned real estate, lease or rental agreement, land lord, signage location, etc.
6. Employees – job descriptions, company history, benefits, salary, non-compete agreements
7. Competition – via internet, brick and mortar, large box stores, foreign, sales agent, etc.
8. Suppliers – vendor relations, approval process product mix, pricing
9. Contracts – government, vendor, union utilities, vehicles, service

## Buyer's Due Diligence (cont'd)

10. Insurance Coverage – liability issues, location, employee, vehicles, safety concerns
11. Customer List – mix, reputation, volume history, any major customer, owner relations, etc
12. International – locations, customers, agreements, customer service, inventory manufacturing, etc.
13. Intellectual Property – trademarks, copyright, patents, consultants
14. Licenses and Permits

## Buyer's Due Diligence (cont'd)

15. Taxes - sales tax, local requirements, paid on time, back tax
16. Litigation - pending, history, press releases
17. Environmental issues with location
18. ANY ONE OF THESE COULD BE A DEAL BREAKER!

# DID YOU MAKE IT TO THE HOME PLATE?



If you get through due diligence with no cuts and bruises, you're ready to a deal.

Legal starts the buy/sell agreement and all other documents.

**GOOD LUCK!**