

Hosted by **SCORE**  | Washington DC

# Selling a Business

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# About SCORE

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As a resource partner of the SBA, we help small businesses by:



Providing free  
business advice  
and mentoring



Offering low or  
no-cost business  
training



Sharing free business  
templates and  
resources

Request a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)

# Your Presenter

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- **Len Briskman** has a 50-year career where he has held positions as Director of International Finance for two Fortune 100 companies, and founder and CEO of a 42 store retail chain, which was listed as one of the top 100 public companies in the DC area. As a government program manager, he was responsible for the evaluation, monitoring, and disposal of all operating businesses, real estate, and complex financial instruments seized and forfeited by the US Department of Justice for criminal activities. As a SCORE volunteer, and team leader of the Business Advisory Services, he assists clients in evaluating businesses for purchase, sale, financing, and restructuring.

# Webinar Objectives

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- In this webinar, you will learn how to sell your business for the best price and to a buyer who will maintain your legacy.
- Advantages of Buying an existing business – Disadvantages.
- Why most businesses do not sell when listed for sale.
- Exit planning mistakes.
- Selling a franchise.
- Finding a buyer.
- Should you finance the sale.

# Webinar Objectives – Cont'd

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- Getting the business ready to sell.
- Information a seller needs.
- Closing the sale.
- After the sale.

# Advantages of Buying an Existing Business

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- Difficult start-up work has already been done.
- Immediate cash flow.
- Financial history.
- May be easier to secure loans and attract investors.
- A market for your product or services already exists.
- Existing employees and managers with experience.
- Ability to add value.



# Disadvantages of Buying Existing Business

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- Costs more than a start-up.
- May need extensive improvements.
- Obtaining financing.
- Seller may take cash and accounts receivables.
- External factors and increasing competition.
- Personal guaranties may be needed.
- Seller's relationships with customers may not continue.
- Location.



# Motivation for Seller to Sell

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- Death of the principal person in the business.
- Legitimate retirement of the principal.
- Break-up of partnership.
- Serious failing health of the principal.
- Insufficient access to working capital to maintain or expand.
- Changing markets, technologies, and the current business owner's inability or unwillingness to deal with the change.

# Why most Businesses do not sell

- Unrealistic Value.
- Zombie Businesses.
- Lack of Cash Flow.
- Customer Concentration.
- Unreported Cash.
- Poor record keeping.
- Poor Exit Planning.



# Exit Planning Mistakes

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- Bad timing.
- Being reactive – waiting for the best deal.
- Not considering your sale options.
- Being distracted – need to run the company.
- Not knowing your value.
- Business is dependent on you.
- Tax implications.
- It takes time.

# How Most Businesses are Sold

- Existing family members.
- Existing Employee.
- Business Broker
- Investment bankers – larger businesses.
- Referrals.
- Strategic buyers – Same industries, Competitors.
- Internet by Seller.– Biz/Buy/Sell
- Direct



# Example: Selling an Accounting Business

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- List it for sale.
- NDA – Financial Statement, Resume.
- Seller Meeting
- Letter of Intent (LOI)
- Securing Funding
- Due Diligence
- Closing the Deal
- Transitioning Ownership

# Sell your Business to an Employee

- Identify the right employee.
- Open communications.
- Know what your business is worth.
- Negotiate the deal.
- Legal and financial advisors.
- Financing Arrangements.
- Training and Development.



# Selling a Franchise



- Complexity of process.
- Restrictions – Review Franchise Agreement.
- Transfer Fee.
- Right of first refusal.
- Assess Value.
- Sell to other franchisees.
- Use franchise broker.

# Financing Considerations

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- Buyer's personal capital.
- Business seller financing.
- SBA Guaranteed Bank Loan.
- Commercial bank loan.
- Venture capital.



# Getting the Business Ready to Sell

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- Like staging a house prior to listing.
- First, Fix the business – Improve profitability.
- Increase Revenues – Need top marketing tools
  - Website – 90%
  - Social Media – 90%
  - Email Marketing 80%
  - Word of Mouth – 45% - 59%
  - Direct Mail 67%
  - Internet Marketing & Sales – B to B, B to C



# Getting the Business Ready to Sell – Profit Improvement



- Cut Expenses.
    - Zero Based Budgeting.
    - Review Every Expense item.
      - Do I need it?
      - Overhead – Break-even.
      - Rent, Administrative, Vehicles.
      - Peer Group Ratios. How do I compare?
      - RMA.
      - Non-core businesses.
- Realistic and Disciplined Budgeting

# Getting the Business Ready to Sell – Improving Cash Flow

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- Thirteen-week revolving cash flow projections.
- Is my inventory too high:
  - Peer Group – RMA, turns, Industry software.
  - Liquidation Methods.

Accounts Receivable Collections.

Methods to improve collections.

Sell non-essential assets.



# Getting the Business Ready to Sell

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- Retain only valuable, dedicated employees.
- Cultivate a culture of Leadership.
- Need for Discretion.
- May take 9 to 18 months to find a qualified buyer.
- Found a Buyer – Now what do I do?

# Found a Buyer – Now What?

- Execute NDA
- Provide financial information and tax returns.
- Letter of Intent (LOI)
- Negotiate.
- Retain an Attorney
- Make sure financing is in place
- Draft Purchase Agreement
- Down payment – hold in escrow.



# Information a Seller Needs

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- Tax returns – 3 years
- Financial Statements – 3 years
- Leases to be assumed.
- List of assets
- Depreciation list.
- Sale tax returns. – 3 years
- Accounts Receivable ageing.
- Contracts

# Information a Seller Needs (Cont'd)

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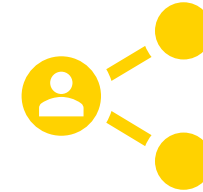
- Disclosure of liabilities to be assumed.
- Licenses/Patents/Trademarks.
- Customer List.
- Employee List.
- Contracts.
- Outstanding lawsuits.

# Due Diligence and Exit Strategy

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## Discrepancies during Due Diligence



## Seller's role after closing.

- Training – How long?
- Consulting – Open to negotiations
- Non-Compete

# Questions?

# Helpful Links

- Find SCORE resources for small businesses at [www.score.org/templates-resources](http://www.score.org/templates-resources)
- Find more SCORE live and recorded workshops and courses at [www.score.org/get-business-training](http://www.score.org/get-business-training)
- Book an appointment with a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)



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