SO YOU’RE THINKING ABOUT SELLING YOUR BUSINESS

PREPARATION IS KEY

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TOPICS

Planning: why is it important
When to start planning
Who can help
Succession options
Most appealing
Least appealing
Likely buyers
Financial options

Maximum price
Cash flow
Valuation
Tax returns
Built to sell
Steps for a saleable business
Sales Process
Timing
PLANNING: WHY IS IT IMPORTANT

To maximize the business value
To control the outcome
To attract quality buyers
To continue the business’ longevity
WHEN TO START PLANNING

Ideal: When starting business

Minimum: 3 years before selling business

- Financials, tax returns
- People
- Market
- Products
- Information
- Competition
- Capital expenditures
WHO CAN HELP & THE COST

Accountant
Lawyer
Business Coach
Banker
Small Business Development Center
Board of Directors
Mentor
Twenty Group
Broker
SUCCESSION OPTIONS

Liquidate
Hand off to family, friends or employees
Sell to a third party
MOST APPEALING-BEST PRICE

Upward trends
Good bookkeeping
All revenues included
Few add backs (EBITDA)
Business documentation
Key employees
Business runs without you there

Buyers understand
- Retirement
- Burnout
- Health issues
- Internal disputes
- Changing career/lifestyle
- Spouse request
- Divorce
LESS APPEALING-LOWER PRICE MAYBE UNSALEABLE

New dominant competitor(s)
Low barrier to entry
No business documentation
Employee turnover
Only owner decision making
Owner integral part of business
Location

Buyers don’t like
- Declining revenues
- Downward trends
- Lost market share
- Obsolescent product or service
- Lots of add backs
- Cash not recorded
- High customer concentration
- Need for large capital expenditures
LIKELY BUYERS
POSITIVES AND NEGATIVES

- Relatives
- Employees
- Newbie
- Competitors
- Market expert
- Equity group
- Synergistic acquirer
FINANCING OPTIONS

Cash
Bank financing
Seller financing
Combination
Earn Out
CASH FLOW

What is it
How is it calculated
Why is it important
Used to determine price
The higher the cash flow, the higher the multiple
VALUATION

Cash flow versus asset value

Three important ingredients

1. Can the buyer repay debt
2. Is there a debt service cushion
3. Is there adequate remaining cash flow for the buyer
TAX RETURNS

Why they are important
Diametrically opposed goals
Minimum 3 years before selling
HOW TO TELL IF YOUR BUSINESS IS BUILT TO SELL

Go on vacation
Then go on a 3 month sabbatical
Acid Test – how did it perform?
Build up to – 3 months away – not negatively impacted
STEPS FOR SELLABLE CO.
Employees trainable & trained
Valuable to your customers, not commoditized
Repeatable, so customers repurchase
Sales Process

No Cost – No Obligation Evaluation (Pricing)

List Business

Prepare Offering Documents

Market & Promote

Tour

Confirm interest, answer questions

Present Offering

Buyers Confidentially Qualified

Offer / Acceptance

Financing

Due Diligence

Document & Agreements

Closing

Well Deserved Vacation

After Sale Training

Clo$ing
TIMING

Simple Economics of Supply & Demand suggests for sellers: Sell when few are selling

Expect to see more aging baby boomers sell their business in the next few years compared to the last few years

- Profitability trending upward
- Banks back in the market looking for transactions

Buyers need to have the financial strength and the relative experience
QUESTIONS

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