

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.

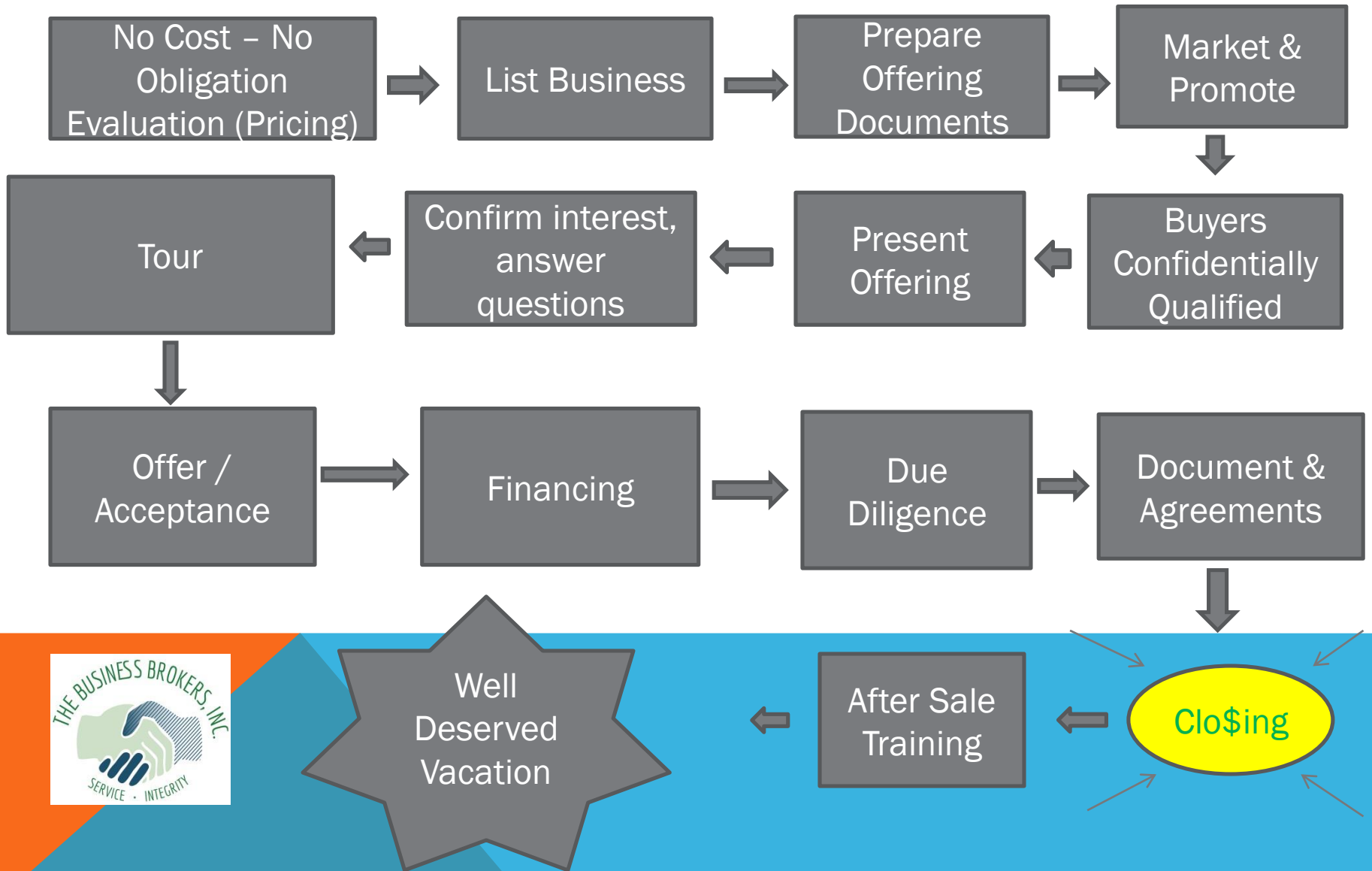
Employees trainable & trained

**Valuable to your customers, not
commoditized**

Repeatable, so customers repurchase



Sales Process



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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