

The 8 Steps To Selling Your Business Smarter And Faster

A guide to helping you prepare your
business for sale

BuyOrSellBusiness.com

BUY OR **SELL**
— BUSINESS.COM —
Get Your Business Sold

As a business owner you have made a lot of choices and decisions in the process of building your business success. As a result, you know that every decision demands careful thought and ways of preparing your business for sale requires careful preparation.

We specialize in helping owners plan and prepare to sell their businesses. The following is a guide with tips and insights to help you manage the process and to safeguard your information as well as to avoid uncertainty and frankly, to receive the highest value for all your hard work.

Avoiding Downsides

You know your business better than anyone. You know what your profit points are, the best revenue streams, the management process and flow as well as clients, vendors and so on. However, you may not have ever sold a business. We partner your knowledge with our experience to maximize the outcome.

Maintaining Confidentiality

Confidentiality is critical to the sale of any business. Your staff does not need the distraction of knowing your intentions, nor does your suppliers or customers. In short, nothing should stand in the way of the continuous smooth operations of your business in the crucial stages of selling.

Business As Usual

The stress of selling your business can in fact distract you from the day-to-day operations and can potentially cause a downturn in production and revenue resulting in the need for a price reduction. You should maintain what you do well and let your professional broker guide the process while you keep your hands on the proverbial wheel and keep your sanity at the same time.

“The main thing is to keep the main thing the main thing.”

Industry	Real Estate Services
Asking Price	\$775,000
Sold Price	\$775,000
No of Days to Sell	90 days

“When I was looking into selling my business, I interviewed many brokers.

*BuyOrSellBusiness.com stood out from the rest. They brought a professionalism and knowledge that made me feel confident to get the business sold and for the highest value. They put together an impressive marketing plan with a video and a portfolio for the business. Within a week of it being on the market, I had multiple interested buyers and within 2 weeks it **SOLD** for **OVER** asking price. I have recommended BuyOrSellBusiness.com to many of my business friends that were thinking of selling their business. Thank you for making this process an extremely pleasant and profitable one.”*

PERFECT TIMING AND THE RIGHT BUYER

The proven guide through the 8 steps of selling a business

1 Planning

Being prepared to sell your business will assist in yielding a higher price for your hard-earned work and a smoother due diligence stage for the buyer. Our brokers can assist in proven methods to determine your true SDE (Sellers Discretionary Earnings) including a recast of your P&L's when appropriate.

2

Business Valuation

It is very normal for you to want the highest price for your business yet setting an asking price too high could scare away potential buyers. Of course, the flip side is to list it too low, meaning less financial reward for your hard work. At BuyOrSellBusiness.com we use a combination of valuation methods including a world class valuation system. We have learned that every business is unique, making it vital to deal with people who have proven experience in establishing true market value.

3 Documentation

After gathering appropriate information, we will provide a CIM (Confidential Information Memorandum) which gives a detailed overview of your business. This is a booklet type package that will include demographics, growth projections, revenue, profit margins, etc., along with confidential photos (where appropriate) and discloses anything that might harm the ongoing profitability of your business.

4

Marketing

Knowing the marketplace and having access to a large database in your sector becomes a part of determining who might be interested in buying your business. As independent professionals we then take that knowledge into our comprehensive marketing strategy. Through experience and measurement we know how to create effective marketing campaigns, ads, brochures, web postings, social media and other means including engaging pocket buyers. Our approach is carefully planned and executed to attract buyers without initially identifying your business.

You Have Worked Hard – Get Your Business Sold!

5 Identifying “Real Buyers”

It takes so much more than setting the right price to find the right buyer. We “pre-qualify” all inquiries in areas of finance, education, means and culture to ensure that we find buyers who can embrace your vision for the business and take the same care for your employees. Screening potential buyers is surprisingly time consuming and somewhat of a difficult process. Let our professional experience accomplish that goal for you.

6

Purchase Agreement

After we vetted and satisfactorily ascertained that the potential buyer is real and qualified, we begin to slowly divulge needed information. A BuyOrSellBusiness.com broker coordinates this process by liaising with the business owner or their financial/legal teams to negotiate a conditional Purchase Agreement without yet supplying sensitive details. This usually results in a Purchase Agreement or preceded by a LOI (Letter Of Intent).

7 Disclosure and Due Diligence

Signing of a Purchase Agreement does not necessarily mean the business is sold. Most buyers need to verify the information about the business during a specific period which is called Due Diligence. At this stage, the broker will provide all needed information for review, which was previously withheld due to sensitivity and confidentiality. This process can range between 5- 15 days, although, for more complex businesses it can take up to 90 days or more.

8

Conditions Removal and Close of Escrow

“Conditions” are pre-negotiated items agreed to be addressed by both the seller and buyer. Once all items are satisfied, each party will sign a “Conditions Removal” document and escrow is then opened. Escrow is best identified by a means, time period and trust arrangement during which the proper paperwork required for the sale of the business is processed. Escrow acts as a “neutral” agent of the seller and buyer, as well as for the broker to collect documents, money and to distribute same pursuant to escrow instructions as directed by the legal requirements of the principals.

STEP ONE

Planning: *To maximize the value of your business to a buyer and to ensure success, there are steps that you must take.*

- * **Timing:** *Whenever possible, it is best to sell when your business is running at peak efficiency, with solid records, good clean books, and trending upwards. Have you considered increased sales margins, restricting, and even trimming costs?*
- * **Records:** *Ensuring that your records are up to date with supporting facts gives a buyer a clear picture of your operation. We can assist you in preparing “normalized” statements which would include records relating to contracts, customers, staff, leases, asset ownership and more. Not having clear understandable and clean books is the biggest killer of deals in progress.*
- * **Discretionary Earnings:** *These are things that a new owner might not have to keep as expenses. These items could be anything from pleasure trips to auto payments to additional cell phones. Thinking on terms of multiplying factors, these items can have a major impact on the accuracy of the value of the company and must stand in the face of proper valuation tools.*
- * **Curb Appeal:** *Though not often a major factor, things like cleaning and maybe a paint job or wall repair can lend to the wow factor when a buyer walk through is scheduled.*
- * **Owner Note:** *Lenders often become more flexible when the seller has a little “skin in the game”. Have you considered carrying a part of the note? Ten to twenty percent of the loan amount is an attractive position for lenders. Even though not fully necessary in every transaction, you should be prepared to answer this question in listing your business.*

STEP TWO

The Value of Your Business: *Knowing just what your business will sell for on the market is derived from several factors.*

Unfortunately, emotions and the love for your business is not one of them. The bottom line is that your business ultimately is worth what a buyer is willing to pay for it. At BuyOrSellBusiness.com, we use several tools to ascertain the full value of your business.

There are four main factors in determining the value:

- ↪ Intangible Assets = Future earning potential and historical earnings will include things like IP, rights to products and services, lease benefits, contracts, techniques, and procedures as well as goodwill.
- ↪ Tangible Assets = These are items like fixtures, furniture and equipment used by the business to generate its income. Normally they are calculated by its depreciated book value.
- ↪ Inventory = The inventory purchased by the business for resale or manufacturing purposes is valued at the historical cost. Often times adjustments need to be made on “aging or obsolete inventory.”
- ↪ Additional factors = BuyOrSellBusiness.com also uses extensive historical and current data to ensure an accurate representation of what a buyer will pay in today’s market. Included in that data are:
 - * Business category and Standard Industrial Classification (SIC) Code
 - * Revenue
 - * Sellers Discretionary Earnings (SDE)
 - * Weighing Factors
 - * Barriers to entry
 - * Profitability and risk
 - * Asset based
 - * Income based
 - * Market based and * Industry ratios

Balancing these and other factors with the book valuation establishes the true market value.

STEP THREE

Documentation: *A professionally prepared Confidential Information Memorandum is key and will reduce the need for your involvement in the initial meetings with potential buyers.*

This document is initially confidential and is only released to a potential buyer after he/she has been fully vetted, and then only in sections to protect our commitment to you about confidentiality. Factors we consider for the Memorandum:

- ✓ *Summaries*
- ✓ *Historical information*
- ✓ *Ownership and management structure*
- ✓ *Financial performance and future forecasts*
- ✓ *Business plan*
- ✓ *Breakdown of tangible and non-tangible assets*
- ✓ *Broker's valuation*
- ✓ *Premise, facilities and lease or ownership*
- ✓ *Marketing endeavors*
- ✓ *Reason for sale*

STEP FOUR

Marketing: *Our goal at BuyOrSellBusiness.com is to get as many qualified eyes on your business as possible, often resulting in multiple offers and/or bidding wars.*

Simply put we do not entertain someone who is “just looking for a business.” In essence a potential buyer will be vetted in three ways.

Do they have:

- 1. The financial foundation – Not only to buy the business, but do they have funds for the operating costs?*
- 2. The education to run your business – A great cook may not have the slightest idea of how to run a restaurant. Many lenders including SBA require full disclosure of the buyer’s intellectual capability and often ask for their resume.*
- 3. Vision – Does the buyer really understand what you have built? Is he or she going to take care of your employees? Do they have the ability to “take over” the dream?*

Depending on the type of business, marketing ads might include the following:

↳ *Print advertising*

↳ *Video footage*

↳ *Online advertising*

↳ *Confidential Information Memorandum*

↳ *Email alerts*

↳ *Digital imprints*

↳ *Social media*

↳ *Email marketing*

**** Ask your broker about the different marketing packages available and what might fit best for your type of business.**

STEP FIVE

Identifying “Real Buyers”:

At BuyOrSellBusiness.com we understand the importance of identifying and properly vetting a potential buyer for your business. In short, we know the language and can easily recognize the right audience.

With more intent than throwing a listing onto a few listing sites, we focus on confidentially speaking to the right people about your business. With a data base of many investors and buyers we can go to our buyer pool with your SIC Code and business overview. The list of potential buyers is contingent on the type of business being sold and may include, strategic buyers, family buyers, private equity funds or even management buyout.

STEP SIX

Purchase Agreement: *Once a potential buyer has signed the non-disclosure agreement, they will look closely at your CIM (Confidential Information Memorandum) and will evaluate if the business suits their purpose and move to more detailed requests provided by BuyOrSellBusiness.com. Having that in mind, open and honest answers are paramount to the steps of negotiating.*

Training will need to be agreed upon. Typically, a seller will give the new owner 2 weeks of onsite training at no cost to learn the details of the day-to-day operations. This is usually 30 hours per week; however, it can be negotiated for longer or shorter periods with compensation depending on the complexity of the business.

Once the buyer has been provided with all the basic information they need, your BuyOrSellBusiness.com broker will work with the buyer/his or her advisors and representatives to prepare a Purchase Agreement that details the price, terms and conditions of the offer.

Receiving both parties' signatures on a purchase agreement does NOT mean that the business is sold. The stage of disclosure and due diligence is next.

STEP SEVEN

Disclosure and Due Diligence: *Underscoring the importance of an open and honest transaction, this is the stage where the buyer double checks and confirms the seller's information. Remember, once a Purchase Agreement is fully executed, does not mean that the business is sold. The due diligence stage includes a walk through, inspection of stated assets, financial records, contracts, lease agreement and so on.*

A buyer will confirm some of the following through a site visit:

- ✓ Products and supply lists ✓
- ✓ Equipment leases
- ✓ Building lease
- ✓ Copyright or license agreements
- ✓ Local authority consents/zoning approvals
- Insurance policies and claims history
- ✓ Sales figures Staffing
- ✓ and payroll
- ✓ Inventory

The length of time for this step can vary depending on the size and scale of the business. Normally, it would be about two weeks. A buyer can terminate an agreement for a number of issues or reasons during this time period. However, they are less likely to do so if the information that you provide is accurate and forthcoming.

STEP EIGHT

Conditions Removal and Open Escrow: *The seller and the buyer must sign a “Conditions Removal” form (provided by BuyOrSellBusiness.com) that acknowledges that the conditions listed in the Purchase Agreement have been met and both parties are satisfied with the contingency of the conditions. Your broker and escrow attorney will finalize the details for closing to take place on a specific date and time.*

A simple checklist for the seller to consider might include the following:

- ✓ Advise employees of new ownership
- ✓ Inform suppliers, customers, and other appropriate parties ✓
- Help with training
- ✓ Review inventory
- ✓ Transfer utilities
- ✓ Transfer domain names
- ✓ Pop the Cork!

With BuyOrSellBusiness.com, Get Your Business Sold!



“FIVE out of FIVE Stars and highly recommend the entire team at BuyorSellBusiness.com. I've had the pleasure to work with BuyorSellBusiness.com on various Business transactions for the past several years and he has become my go to Business Broker.

As a Real Estate focused Broker, I often have clients that are in need of selling their Business and BuyorSellBusiness.com is the only company I would consider to represent my clients.

Highly professional, very knowledgeable, well networked, and very courteous is Shawn and the entire team at BuyOrSellBusiness.com. I strongly recommend Shawn for all your needs when looking to Buy or Sell your Business.”

Call to speak to one of our licensed, professional business brokers for guidance in preparing your business for sale.

Why you can trust BuyOrSellBusiness.com to handle your business purchase or sale transaction:

When looking to sell your business, you need to know how to identify a good business brokerage. Having a team to facilitate the sale, develop marketing materials and properly and fully prepare your business for sale is paramount to the goal. At BuyOrSellBusiness.com, our years of experience working with business owners combined with our focus has propelled our business model to the successes that we and our clients enjoy.

Here is why you should hire BuyOrSellBusiness.com:

- * Our business brokers are not independent in their respective tasks, but rather each works with a qualified team of business professionals who know and understand details to maximize the results for you the seller. In short, every step is skillfully scrutinized by our team ensuring the results we anticipate and work for.*
- * Our brokers all have background experience and credentials: Experience is everything to a successful business transaction. Proper steps in the sales process should dictate the focus of the broker. Our brokers have a great knowledge and understanding of each and every step and share the steps with you.*
- * We purpose to have and maintain a good reputation: Noted on our social media pages are testimonials and reviews to see our proven track record of delivering on our promises.*
- * We keep our listings manageable: As simple as it seems, our goal is to sell the businesses we have listed for our clients. At BuyOrSellBusiness.com we understand that having a listing is not the goal, it is simply the beginning of the goal. We focus on the "Plan" to get to that goal for each and every client that we have the privilege of working with.*
- * We consider all aspects in our valuation to know the value of your business: To calculate the price of your business, we will be considering everything from multiple seller discretionary earnings to amortization when appropriate. We love to hear your story, your struggles, and victories along the way. Often the "goodwill" part of the valuation is missed without the proper focus on the details.*
- * Our entire staff works full-time: Selling a business is a serious undertaking so rest assured that you are hiring a full-time professional firm that is committed to your work.*
- * Finally, we value confidentiality: The best brokers in the game know how to create a buzz without exposing your intent to employees, vendors, and the general public. At BuyOrSellBusiness.com we only disclose information to qualified leads under Non-Disclosure Agreements and only in steps until the buyer is fully vetted in financial wherewithal, working capital and intellect to effectively run the business.*

For more help selling your business, visit BuyOrSellBusiness.com

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