OLD Inc.
Business Brokers

What Every Business Owner Should Know Before Selling Their Business

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Selling your business is probably one of the biggest decisions you will ever make. You may have spent a lifetime building the business, but you only have one opportunity for a successful sale. So before you sell, it's crucial that you maximize the value of your business, so that when you sell, you maximize the amount you receive. It will probably be the most valuable asset that you will ever realise. When selling a house, you are careful to present it at its best, clean, in good repair and attractively decorated. Your business is likely to be several times more valuable than your house, so you need to take even more care with selling it. Everything needs to be just right if you are really going to get the value you deserve for the business you have built.

1. The Right Price
Under-price and you lose money; over-price and you lose the sale.

> ***Too low is bad*** – you will sell yourself short and all your years of hard work will go unrewarded. The fact is, most sellers do not know the market value of their business. You can find out with an independent valuation from a third party.
>
> ***Too high is bad*** – buyers will not take you seriously and won't bother to investigate the opportunity. Lack of interest will lead to your business being taken off the market or dumped at below market rate.

We may also recommend an independent valuation be performed by bank approved appraisers.

This can seem like a complex process. Although it is specialized, it's not rocket science. The price is simply "the amount a willing and able buyer is prepared to pay a willing seller."

What is your business worth?

The value of a business is basically tangible assets plus goodwill – the problem frequently lies in valuing the goodwill. This is often where buyer and seller have the most difficulty in coming to an agreement.

What your business is worth will be based on net assets, cash generation, a multiple of profits or a combination of these factors. The rate of improvement or decline in these factors will also be an influence. Some industries use very specific methods, such as a value per room in the case of hotels, or a % of fee income for professional practices. However, profits will not always be the sole factor in determining the worth of a business.

Valuing a business definitely requires great skill. Not every owner of a business will know all of the elements in the equation, which is where expertise and experience come into play. Always ask yourself what you would realistically pay if you were in the buyer's shoes.

Another consideration is the risk-free income that the buyer gets if they are currently employed, 9-5 risk-free with a fixed salary, holidays, benefits, and so on. Buyers coming from a position like this will most probably deduct their current salary from the equation and then pay an earnings multiple on the remainder.

For example:

A business produces $70K profits. The buyer currently earns $42K.

This shows that, in this case, total profits above usual earnings equal $28K.

Multiple to apply, say, 3 times = $76k (just above one year's profits).

Alternatively, it may be that the new owner might not need to be directly involved each day and that minimal effort is required on their part, so they will factor in a manager as part of the costs to take into account.

So, as you can see, different purchasers will have very different values attached to a business. The role of a professional adviser is to find the purchaser who will place the highest value on the business.

What is your minimum acceptable price?

You need to work out at an early stage in the process your minimum acceptable price, and, if there are separate elements to it, what, if anything, can be negotiated or traded. Could you offer a 2-year consultancy contract? Is it possible to sell off some items which aren't really contributing to the value of the business?

The first step in selling a business is working out what it is actually worth. There are lots of formulas for valuing a business. A purchase offer may be at least partly based on the value of the assets, the cash flow, gross revenues and annual growth, as well as other factors.

In the end, though, it basically boils down to one thing. Sale prices depend on profits. As one expert has put it, "Usually you can figure on the value of your business being driven by its bottom line. The sale price is almost always a multiple of the business' profits." So you need to determine a value for your business, taking into account your bottom line.

That multiple varies from industry to industry and business to business. But the multiple will be considered whether the buyer is an individual who wants ownership of a company or a larger organisation looking for a strategic acquisition.

When you're talking about smaller businesses with no more than 25 employees, you can probably estimate that about three-quarters of the buyers are going to be people looking to purchase and operate their own company, and to earn a living from it.

Valuation Methodologies

Coming up with a value for your business is a little like coming up with a sale price for any product or service. There are a lot of things that you need to do before you actually determine a price.

Valuing Your Business – Using Multiples: There is an abundance of available data on common industry "multiples" that can be used to estimate a business' value. Over time, valuation experts and investment bankers have observed trends in the selling price of businesses. Multiples are simply a summary version of these trends. They are industry specific and generally used for smaller businesses. However, while multiples may be useful in providing an immediate ballpark figure of a business' value, they are no substitute for a comprehensive valuation analysis.

Valuing Your Business – Taking Intangible Assets Into Account: When pricing your business for sale, intangible assets – such as people, knowledge and market position – can be even more important than tangible property. Customer awareness underpinning a prominent position within the market is a key ingredient in many companies' success. A strong brand and a loyal customer base can be distinct assets. Other significant intangible assets include copyrights or trademarks that let a business sell its products for a higher price or in greater quantity than its competition proprietary mailing lists of customers or prospects; long term contracts; franchises with long track records and well-recognised names.

Get A Business Valuation: A professional valuation will give you a basis for gauging offers. It will give you an idea of what you can expect to net from the sale. It will also tell you your company's market position, financial situation, strengths and weaknesses (any weaknesses can be addressed before you put the company on the market). Valuations can be obtained from a number of sources, ranging from local accounting firms to business brokers and investment banking firms. As a rule, you should make sure the company performing the valuation has access to the most current national data regarding privately held transactions in your industry. Experience in selling firms of your type is obviously helpful as well.

2. Provide Up-To-Date and Accurate Financial Information

Private business accounting records are generally kept to minimize taxes. Public companies' records tend to maximize earnings. If you only keep accounts for tax purposes, your company will show minimum earnings (and thus pay minimum tax). This means that your business will be valued at a lower amount than it is actually worth. The answer is not to pay more tax, but to keep records so that they can be recast to show your business' true cash flow. Items such as spouses' salaries/expenses should be kept separate from the usual business expenses, so that when the accounts are recast these figures can be left out, allowing the buyer to see a clear picture of the financial health of the business. This should be done even if you are not thinking of selling now, as buyers typically look back over the previous 3 to 5 years. On the other hand, if you can plan in advance, it may be worth "investing in taxes" so that the reported bottom line is as robust as possible. By paying a percentage of every pound more in taxes you will most likely be adding a multiple of 2-4 pounds on to the sale price.

Can you be sure you are not going to sell your business in the next 5 years?

Many small businesses show little profit. This is a good thing when it comes to taxes, but it's bad news when you need to determine the value of what you have built. You want prospective buyers to see your business in the most positive and accurate light. For this reason, you should plan ahead in case you need to recast your figures.

Be prepared

Gather together the financial information required to market and sell your business. This will include:

- 3 years' profit and loss statements
- Tax returns for the business
- The lease
- A list of loans against the business, with balances and payment schedules

Other information to be gathered includes:

- Employment contracts
- Any lease agreements for equipment
- Current value of stock/inventory

Make sure that your financial statements, budgets and business plans are ready to be inspected by potential buyers. Even if your accounts show poor figures, buyers are often attracted to potential, which could make your business exactly what they are looking for.

Be ready to answer questions on every aspect of the business' financial dealings.

Buyers evaluating your company will, generally speaking, want at least 3 years' worth of financial information. It is a good idea to have your accounts prepared or at least reviewed by a professional CPA, rather than doing them yourself, as this will make a better impression, and will also make due diligence easier for your buyer. Audited financial statements are ideal.

All this preparation is well worth the effort, as it will increase the number of potential buyers.

3. A Good Reason To Sell

Part of preparing for a sale is getting ready to answer any question that buyers may have. One question you will be asked by every prospective buyer is, "Why are you selling?" The answer you give is critical. Business owners sell for a variety of reasons. You must be clear and honest about your reason for selling. You absolutely must avoid an image of desperation.

Buyers must see a logical reason for the sale. If they don't they will be concerned that there is something that you're not telling them which may hurt the business in the future. Without a good reason for the sale, they will think the worst.

If you are not absolutely sure that you want to sell, don't start the selling process. You have to be determined to go through with the sale, and be completely clear in your own mind about why you are selling.

Why are you thinking of selling? Do you need a change? More time with your family? Do you have bigger fish to fry? Are you retiring due to age or illness? The answers to these questions play an important part in working out where to look for buyers.

For example: If you feel that the business has grown to a size that you are unwilling or unable to manage, or that it needs access to new technology or new markets, the buyer is likely to be someone with enough financial and management muscle to take the business forward, rather than someone with a similar sized organisation looking for a merger.

How will you sell your business?

What are you offering? Are you selling shares? Business assets? Are you willing to continue having input into the business during a transition period? Are all the shareholders agreed on what is for sale (just your shares or the whole lot)? How will consideration be paid (a cash deal or a higher, deferred, amount)? Have you thought about a management buyout and a financial institution acquiring a minority shareholding and leaving other shareholdings intact?

4. Attract Serious Buyers

Not all buyers are serious buyers. Industry experts say that anywhere from 70% – 75% of all prospective buyers never end up buying any business.

Time Wasters

An advertisement will probably attract responses from timewasters and sharks as well as from legitimate buyers. Things to watch out for include:

- Buyers who are looking for unreasonable terms
- Buyers who simply want a perfect business
- Buyers who don't provide a signed confidentiality agreement, profile form and financial verification statement

Competitors and suppliers are the worst kind of prospective buyers. Have your legal adviser draw up a confidentiality agreement for interested parties to sign. Do not go any further with anyone who won't sign it.

The first two questions a buyer asks are, "Why are you selling?" and, "What do your financials look like?" Equally, the first two questions that you need to ask are, "Why are you buying?" and, "What is your financial situation?" If the buyer doesn't have the money to buy your business, it is pointless talking to them. If they are making excuses about financing the purchase, they probably don't have the money.

Serious buyers are happy to show you their financial information and to have credit checks performed on them.

5. Sell To The Right Buyer

Both the buyer and the seller have to be enthusiastic about the deal. If this is not the case, the deal may not go through or may turn sour. If the chemistry is not right between the two parties, the deal could collapse.

Another mistake is selling to competitors, employees, suppliers or customers.

Competitors will rarely pay full price for a company, and if the deal falls through they will have knowledge about a lot of confidential information.

Employees may be being unrealistic about having the money to buy.

Suppliers and customers have the problems of becoming competitors to their suppliers and customers when they integrate backwards and forwards. This jeopardizes the customer base of the seller.

Everything that you have done to prepare for selling your business may well show you who the best buyer is likely to be. For example. If one of your aims is to safeguard the future employment of your staff and management, you will know that you are looking for a 'friendly purchaser' and that there is little point talking to 'asset strippers'.

Work with your professional advisers to put together a list of possible buyers. You may have market information about prospective trade buyers, but do not rule out new entrants to the sector. Non-executive directors or specialist professional advisers should be able to spot "non-trade" buyers who may be willing to pay a premium to enter your market.

Keep your target list manageable. In this way, you can keep the ball rolling and avoid time-wasters. If you have to advertise and the process starts to drag on, you may end up sending out the wrong signals to the industry.

Types Of Buyers

Synergistic buyers

Sometimes buyers bring synergy to the transaction. (These buyers are synergistic buyers, in contrast to the investor buyer who merely relies on the return from the business to achieve the ROI criteria.) The synergistic buyer may be merging another business with your business in order to have a single business which will be much more efficient in buying power, sales costs and operating costs. These synergies add cash flow to the buyer's ROI calculations. A stand-alone business with $500,000 cash flow may have an effective cash flow off $800,000 or higher when the synergies are considered. The synergistic buyer, with the same ROI criteria that the investor buyer has, can afford to pay more than the investor buyer. How much more the synergistic buyer will pay is unknown until the synergistic situation is defined. If you know the synergistic buyer's ROI criteria, you can make a pretty good guess as to what the efficiencies might be, and therefore what price might be afforded. But each synergistic buyer's efficiencies and economies are going to be different. Until you know a specific synergistic buyer situation, you can't predict the price.

Once you have decided to sell, you should work hard to locate synergistic buyers. You should use your (or your intermediary's) marketing and negotiating skills to assure that a synergistic buyer pays the premium they can afford.

Financial Buyers

Financial buyers make up an enormous segment of the market. They look for businesses that they can buy using debt financing for 50 to 75% of the price. They also want to make sure there is enough cash flow to service that debt. They will almost certainly value your business by multiplying by 4 to 6 times the earnings before interest and taxes (after taking off any expenses that would not continue for a new owner). They deduct from the price any interest-bearing debt that they will assume. There are downsides to selling to a financial buyer. In the first place, there are no synergies, such as access to a larger sales force or complementary activities in production, engineering or any other part of the business. Secondly, there are pressures to increase cash flow because of the added debt. Also, financial buyers are deal makers. They often leave day-to-day operations unchanged, but they buy with a view to selling, which may cause further disruption to your business.

Strategic Buyers

The strategic buyer is usually from a similar industry and typically has a specific reason for wanting to buy a particular company. Furthermore, the strategic buyer will frequently be willing to pay a premium price in order to obtain a company possessing that quality. On the other hand, it is important for the seller to understand the concept of “Barrier to Entry” as this can have an impact on the value that a strategic buyer will place on a business. Barrier to Entry occurs when a buyer refuses to pay a premium price for a company because they are not looking to acquire all the aspects of that business. This results from them already understanding the business, having access to their own vendor and customer lists, enjoying membership in trade organizations, already being engaged in some aspects of the industry, etc. Publicly traded companies may have excess cash and are seeking an accretive add-on that rewards the shareholder by acquiring a company at a price to earnings ratio that is somewhat less than what the company has been historically trading at. Sometimes companies will target a congeneric merger. This type of merger between firms in the same general industry but having no existing buyer-seller relationship can be mutually beneficial. An example might be a merger between a bank and a leasing company.

6. Seller Financing

Be prepared to finance the deal yourself. Many buyers today rely on the seller to help them buy a business. If you won’t agree to this, you may be shooting yourself in the foot and limiting the number of people who are interested in buying. This is particularly a consideration if you are looking to sell to the existing management team.

Seller financing is where the seller lends to the buyer in order to make it possible for the buyer to purchase the business. Once a down payment has been made the buyer promises to pay the seller certain sums over an agreed time period.

It’s not all about “cash”. It’s about getting paid. Buyers will pay substantial premiums for seller financing. The seller should listen and evaluate seller financing proposals. Some sellers refuse to consider a buyer who is planning to use the profits from the business to pay for the business. It is unlikely they will ever sell. Selling a business is no different than selling a piece of equipment. It has to pay for itself, or no-one’s going to buy it.

If you are not prepared to finance at least some of the price, you may not be able to sell. Offering seller financing up-front is very attractive to buyers, and may well speed up the sale.

Seller financing has always been a mainstay of general business brokerage. Buyers either don't have the capital necessary to pay cash, are unable to borrow the money, or are reluctant to use all of their capital. Buyers also feel that a business should pay for itself and are wary of a seller who wants all cash or who wants the carry-back note secured by additional collateral or personal guarantees. What sellers seem to be saying, at least as perceived by the buyer, is that they don't have a lot of confidence in the business or in the buyer or perhaps both. However, if you look at statistics it is apparent that sellers receive a much higher purchase price if they accept terms. It has been shown that, on average, a seller who sells for all cash received only 69.9 percent of the asking price. Sellers who are willing to accept terms receive, on average, 85.7 percent of the asking price. That's a 15.8 percent difference on a business listed for $150,000, meaning that the seller who is willing to accept terms will receive about $24,000 more than the seller who is asking all cash. Also, the seller who asks all cash receives, on average, a purchase price of 36 percent of annual sales while the seller who will accept terms receives, on average, 42 percent of annual sales. These are compelling reasons for a seller to accept terms. Business brokers have long been aware that reasonable terms are necessary if sellers are serious about selling their business.

The primary reason sellers are reluctant to offer terms is their fear that the buyer will be unsuccessful. If he or she should stop making payments, the seller will be forced to either take back the business or forfeit the balance of the note. Another reason is that sellers feel that they can do more with cash than with the receipt of monthly payments. How often do sellers say that they need cash so they can buy another business? That is probably not the real reason, but selling their business (or house) may be the only time that they can get a "chunk of cash." One of the tasks of the business broker is to attempt to alleviate these fears by pointing out some of the ways sellers can protect their investment and some of the advantages of carrying the balance of the purchase price. Equally important is how the deal itself is structured.

Let's first take a look at the advantages to the seller of financing the sale.

1. The chances of the business actually selling are much greater with seller financing.

2. The seller will achieve a much higher price for the business with seller financing.

3. Most sellers are unaware of how much the interest can increase their actual selling price.

For example, a seller carry-back note at 8 percent carried over nine years will actually double the amount carried. $100,000 at 8 percent over a nine-year period results in the seller receiving $200,000.

4. With interest rates currently the lowest in years, sellers can get a much higher rate from a buyer than they can get from any financial institution.

5. Sellers may also discover that, in many cases, the tax consequences of accepting terms are a lot more advantageous than those on an all-cash sale.

6. Financing the sale tells the buyer that the seller has enough confidence that the business will, or can, pay for itself.

These are just some of the ways to structure the seller carry-back. But, when it's all said and done, the deal has to make sense for both sides. The business has to be able to support the debt service and provide the buyer with a reasonable income or it just won't work.

7. Groom The Business For Sale

Buyers base their decision to buy on what they think the future earnings of the business will be. Part of making this decision will involve the buyer drawing up a business plan. The seller will have a much clearer idea about market and cost information than the buyer. So if the seller already has a well thought out and carefully documented business plan showing market and operating information, it will go a long way to convincing the buyer that the future of the company looks bright. A business plan is a way of documenting the future. It can mean a selling price based on what the earnings of the business are expected to be, rather than what the earnings have been in the past.

To get the most interest and the best possible selling price, you need your business to be at it's best.

You can do this by:

- Making all the paperwork as impressive and as organised as possible.
- Increasing your sales figures through aggressive campaigning or by offering special deals to customers.
- Reducing costs – avoid making big purchases in the run up to the sale.
- Formalising employment contracts.
- Formalising deals with customers and suppliers.
- Smartening up your business – clean, paint and reorganise your premises.

Even though you have made the decision to sell, you must concentrate on monthly sales targets and the day-to-day running of the business. You don't want the performance of the business to suffer because you are selling. You may decide to employ an interim manager to help out. A purchaser will appreciate this, and may be reassured that they can keep the manager on if they need to.

You need to take a long, hard look at all aspects of your business months or even years before beginning the sale process. Consider ways to boost profits. Could the margins be lifted? Can non-business expenses be reduced at the expense of long-term relationships? Can expenditure with a long-term payback, such as an advertising campaign, be put off?

Get rid of any non-business or surplus assets. Buyers won't want them. Instead, realise some cash and consider paying a pre-sale dividend (this is a standard tax-efficient method of receiving part of the proceeds from the sale).

Look closely at the management structure. If you can show that your second line management team are capable of making executive decisions then the buyer won't need to worry about getting in a new management team. If necessary, consider a reorganisation and issue formal job descriptions and titles.

Take professional advice on tax and legal issues to increase the success of your sale.

The Sales Memorandum or Confidential Business Profile

This purpose of this document is to help you sell your business. This means it is very important that it shows the full potential of the business. It should bring the buyer to the negotiating table. It must be truthful and the contents need to be capable of independent verification.

Presentation is key. Photographs, product literature, charts and tables are much more important than endless pages of management accounts. The memorandum should be clear and easy to understand, so use plain English rather than technobabble.

Memorandums may need to be carefully drawn up for particular purchasers, depending on how the business may go and how diverse its offerings are.

You should emphasise the good points, but don't ignore the bad points. Put "health warnings" and disclaimers on the document. You know what the skeletons are and which cupboards they are lurking in. You need to work out the best way to introduce them to the buyer. If you try to hide something, the due diligence process will find you out.

Be truthful about the downside of the business. It is far easier to sort out problems at the start rather than to lose the sale because you lost the buyer's trust.

Be prepared for some downward pressure towards the end of the negotiations. The cost of the due diligence has to be paid for somehow!

Don't tell the staff! (You'll see why further on.)

How can you ensure you present a sleek business?

• *Concentrate on Core Competency*

Buyers tend to be more interested in a company with a strong focus around a core business, rather than a company going in many different directions. Make sure all members of the management team have a shared focus and that your firm's products and services add to the value of your core business.

• *Reduce Customer Concentration*

For many small businesses, it can be hard to avoid having a small number of customers generating a large percentage of the company's revenues. In general, a buyer will carefully review any client relationship that generates more than 10% of revenues. Reducing the customer concentration before the sale will help to increase the reliability of the company's future revenue stream, which will increase the value of the company.

• *Industry Concentration*

Specialisation can be a good thing when it comes to winning contracts, as having industry expertise can give your company a competitive advantage. However, lack of diversity can be a risk. If your company has most of its customer base within one industry and that industry has a cyclical downturn, your company could suffer as well. There are exceptions, but as a rule industry concentration is viewed as undesirable.

• *Plan for Management Succession*

If your business can't function without you, who will the buyer turn to for help after you leave? Begin to hand over key responsibilities to various members of the senior management team, particularly those related to customer relationships and other direct ties to revenue generation. The buyer needs to know that the business can operate successfully without the current executive.

• *Get Your Ducks in a Row*

Get an advisory team, including a business broker, a attorney, and an accountant who are proficient in business transactions or mergers and acquisitions. Organise your legal paperwork.

Many privately held companies conduct business on and informal basis with customers and vendors. Informal agreements can reduce the value of your company, particularly if the relationships are key to the success of your company. Formal agreements can ensure that key relationships will continue, reassuring the buyer that customer and supplier relationships (and therefore cash flow) are secure.

Make A Good First Impression

Being attractive: Buyers buy a business with their hearts as well as with their heads. Present an orderly operation to prospective buyers, rather than one that is chaotic. As well as the points listed above, review your incorporation papers, permits, licensing agreements and leases. Make sure they are current, in order and readily available.

Looking good: Nice looking businesses sell first. Keep your premises neat, clean and in good repair. Buyers deduct large amounts for businesses that are not in top condition. Conversely, businesses with a "wow" factor generally command more money.

Buyers will want a complete list of all equipment and will inspect it to make sure that everything is in good working order.

Careful! Don't let your business performance decline because you are too focused on the sale. It may require some skilful plate spinning, but it will be worth it. The whole point of grooming is to add value to your business and, if performance declines, you give buyers more negotiating power to lower their offers.

8. Negotiations

How your business sale concludes depends greatly upon how it's negotiated. This section will help you prepare for and navigate the negotiation, including what to expect, how to react, when to compromise, and how to keep the deal moving toward closing day.

Although you and the buyer will view the deal from very different vantage points, you should be able to agree on three things:

1. You want the deal to conclude in a mutually acceptable purchase and sale agreement.

2. You want the deal to conclude in a timely manner, maybe even by a certain date.

3. You both want the deal to have an advantageous outcome. To you, that means receiving a reasonable purchase price that's paid with a good-sized down payment and well-secured deferred payments, allocated in a manner that saves you from extreme tax impacts. To the buyer, that means paying a reasonable price with a payment structure that allows for adequate business cash flow in the early months, allocated in a way that provides good expense and tax deductions and supported by your ongoing involvement, or at least not to compete with the new owner.

If you and your buyer can customize and agree on the three points on this list, you can use these points as your negotiating objectives. Each time the going gets rough, you can remind yourselves that you both want the same outcomes and that you're only differing on how to achieve them.

Apart from the basic sale price and sale description, your negotiation will focus on the mechanics of the deal. Through negotiations, you need to clarify the following points:

1. The structure of the sale – asset sale or share sale
2. The final price and price allocation
3. The payment structure, including loan financing, if any
4. How to deal with issues discovered during due diligence investigations
5. How to structure your future involvement with the business
6. How you'll handle the seller-to-buyer transition

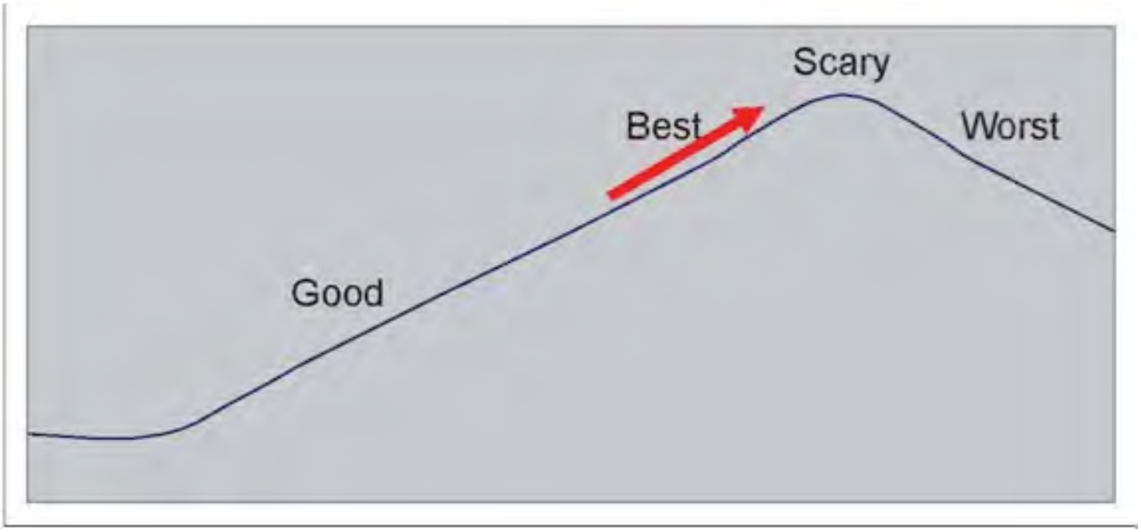
Of those six factors, the first four are the major focus of the negotiation.

9. Time The Sale Right

There can be a big difference in selling price depending on where your company is in its business or profit cycle. Ideally, you should sell on the upside of the business cycle, near the top, just after a record year of profits.

If performance is unfavourable, then, if at all possible, wait until things have improved.

It is always easier to sell a business whose sales are growing, as opposed to one on a flat or downward trend. Most buyers want to invest in a company that will provide them with a good return, so they will pay more for one that has a positive trend or outlook. If a company's future looks threatened (for example, by a competitor entering the market or by technological advances that have rendered the company's products outdated or even obsolete) the value of the business will be affected. The marketability of the firm may decline as well.



The optimum moment to sell a business is when it's still growing.

The economic climate can also affect the value and marketability of a business. An overall economic downturn will have corporate belts tightening and fewer acquisitions being made. A decline within a specific industry or geographic region can have the same effect, with fewer private-company acquisitions in those areas. Another factor is a decrease in a public company's price/earnings ratio. This tends to produce a "trickle down" effect on the multiples paid for private companies.

Sell when you are still enjoying things. A quick sale can be a good sale. When you have the luxury of choice, use it to market your business at the best time. For example, in a seasonal business you would probably want to have made your profits and therefore maximise the potential sales proceeds.

It is always helpful to time the sale to coincide with a set of newly audited accounts. This can reduce uncertainty over the profits and assets being sold. This may mean that it would be more beneficial to you to wait for a few months before selling.

10. No Surprises

Sort out any problems that your business is having before you begin the selling process. Make sure issues are actually resolved and not pending.

Give all involved parties all the facts up front. Most negatives can be overcome if known by your advisers from the beginning.

If you have a buyer willing to close a sale fast and for an unreasonably high price, it is unlikely that their advisers are going to be so willing to let this happen. Buyers these days tend to be very well informed. If they are not, they quickly become so once they have consulted their solicitor or accountant.

Never try to “fudge your statements”. Not only could you lose the sale if the buyer finds out, you could find yourself facing litigation or criminal charges.

Never give a buyer misleading information. Nothing derails a deal faster than dishonesty.

11. Choose The Right Team Of Professional Advisers

Selling a business is a complex and time-consuming legal and financial process.

Now is not the time to go cheap. Just as you would not usually want to sell a house without having an estate agent, a surveyor and a lawyer, and, if you’re really looking to increase the sale value of your house, a home stager, so when selling your business it is essential that you have the right team of professionals around you to safeguard your interests at all times. At the very least you will need an accountant and a commercial solicitor. We would also strongly recommend that you retain the services of a sound business broker, particularly one experienced in buying and selling your kind of business.

There are a range of tasks and worries which an experienced business broker can deal with on your behalf – sometimes more effectively than you can.

For instance, there are buyers to be found and vetted, plans to be written and all kinds of issues to be resolved. The most important points are:

Confidentiality

Keep it under your hat! Letting people know that your business is for sale can be a big mistake.

Keep the sale of your business quiet to prevent issues arising such as negative attitudes from employees, customers and suppliers.

As one specialist has put it, “There’s a tendency toward letting key employees know that your business is for sale. What can happen is that they start telling other people, including other employees, and before you know it your employees are sending out resumes and looking to leave the company. Since good experienced employees are part of the assets that are transferred in a business, this can be very costly.”

Other potential problems that can arise from people knowing you are selling include:

- Staff stealing
- Suppliers refusing credit
- Customers moving elsewhere
- Competitors spreading false rumours

Buyers introduced to your business through a broker must sign a Confidentiality and Non-Disclosure Agreement (NDA) before any deals are released.

When it comes to confidentiality, it's a fine balancing act getting it right.

On the one hand, buyers want to know as much as possible about the business. The more information you include, the more enquiries you will have from prospective buyers.

On the other hand, confidentiality is hard to police. Buyers will always talk to some people, regardless of how strong the confidentiality agreement is. Have a plan to deal with a breach of confidentiality, such as "Of course my business is for sale, for the right price!" Also, if you have any reason to distrust a buyer then don't disclose information unnecessarily.

Your Time

You will have to deal with droves of timewasters and dreamers who will upset staff, customers and suppliers. A good business broker will weed out time wasters and only introduce serious buyers.

Advertising Costs

You will have to pay out substantial and sustained advertising costs. A good business broker will pay the advertising costs until your business has been sold.

Less Stress and a Better Chance for the Sale You Want

A good business broker can:

- Help you work out a realistic price for your business.
- Identify and qualify appropriate buyers.
- Put together a sales prospectus.
- Negotiate terms of a sale.
- Maintain confidentiality so that only prospective purchasers know you are selling.

You will probably also want to work with your tax professional, lawyer and other experts to make sure that all aspects of a sale are handled properly.

You can start the search for a broker by talking with other small-business leaders, checking the local phone directory for "Business Brokers" and contacting local, national business brokers associations and the International Business Brokers' Association.

Do not attempt to sell the business yourself. Buyers automatically have the advantage when they see that a seller is willing to go through the process alone, particularly if the buyer has an army of professionals behind them.

If you are seriously looking to sell your business, having a professional manage the process for you will help. As well as ensuring that everything runs as smoothly and successfully as possible, it can lend your business credence by showing potential buyers that you really are serious.

Depending on the size of your business, you may choose a business brokerage or an investment bank. Both will give you a clear and realistic picture of what the market interest will be, bring buyers to the table and create a bidding process to get you the best offer. They will also be able to guide you through the process, from signing a non-disclosure agreement with a prospective buyer to helping structure a transaction.

What should you look for in your professional advisers?

You will need a small team of professional advisers to help you ensure that you sell your business in the way that you want to, and that you get the right price for it.

You will need:

- A CPA: they will help you make sure the books are properly in order to show an accurate picture of your business, its cash flow, its profits and its potential;
- A commercial attorney: they will draw up all the legal documents you require, and check that those drawn up by the buyer and their legal team are appropriate, accurate and conform to all statutory requirements;
- An investment bank: As well as being a financial institution that raises capital, trades in securities and manages corporate mergers and acquisitions, an investment bank will also provide advice on transactions such as mergers and acquisitions. Most investment banks also offer strategic advisory services for mergers, acquisitions, divestiture or other financial services for clients.
- A business brokerage: a good broker will help you at every stage of the process, from preparing your business for sale and finding the right buyer right up to finalising the agreement.

You will need to carefully consider your choice of each professional adviser. Ask yourself a few questions, such as:

- Will they be able to project manage the exercise?
- Do they have previous business sales experience?
- Are you confident that they have a good awareness of what can and needs to be done?

Once the sale reaches the negotiations stage, it is a useful ploy to pass the messy, confrontational bits to a professional adviser, with clear instructions about what you want the outcome to be. In this way, you won't be seen as difficult, as the blame will rest on the adviser's shoulders.

Business brokers generally charge a percentage of the sales price (the average is between 5-12%) and most also charge an upfront fee to pay to retain them. If you are unsure about using a business broker, make every effort to ensure that you set a realistic time frame in which to sell the business yourself, and consider reviewing your doubts if you haven't achieved a sale once that time has past.