

Understanding the Business Selling Process



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Major Steps Involved in Selling a Business



- Business owner decides to sell business
- Determine the value of your business
- Gather information into a marketing package
- Marketing the business
- Identify potential buyers
- Arrange meetings with buyer and seller
- Offer to Purchase / Letter of Intent – Moving Forward
- Negotiating and deal structure
- Due Diligence
- Closing

Determining When to Sell



- Burnout / Boredom
- Retirement (age)
- Health
- Economic factors
- Lack of operating capital / Need for growth capital
- Industry overview
- Employee stability
- Sales / Cash Flow

Gathering Pertinent Documents



- Interim profit & loss statement & balance sheet
- Three years of tax returns & income statements
- Current asset list
- Assets and Liabilities
- Facility information
- Employee information
- Company history
- Other information to include
 - Asking price, Deal structure and financing, Marketing strategies, Industry trends, Industry trade journals

Understanding the Valuation Process



- **Objective**
 - Owner's Discretionary Cash Flow (ODCF)
 - Asset Value
 - Inventory Value
 - Accounts Receivable (A/R) and Accounts Payable (A/P) – included?
 - Leverage – Financing
 - Asset vs. Stock sale

Owner's Discretionary Cash Flow: Example



Net Income	\$ 100,000
Addbacks:	
Depreciation	\$ 50,000
Interest	\$ 20,000
Owner Salary	\$ 80,000
Owner travel (personal)	\$ 5,000
Owner auto (personal)	\$ 6,000
Owner health insurance	<u>\$ 7,000</u>
Owner's Discretionary Cash Flow	\$ 268,000

Understanding the Valuation Process



- **Subjective**
 - Years in business
 - Employees
 - Reason for selling
 - Length of training
 - Customer and supplier base allocation
 - Business Type
 - Other factors:
 - Market strength, Industry growth, Appearance, Location, Owner's involvement

Who Are the Buyers?



- Employed corporate executive
- Displaced executive
- Former business owners
- Buyer group
- Turn-around specialist
- Individual buyer
- Strategic buyer
- Synergistic buyer

Working with Buyers



- Emotions
- Picking the right buyer
- Timely information requests

Showing a Business



- External business appearance
- Internal business appearance
- Warehouse layout
- Website

Negotiating and Deal Structure



- Sale Price
- Allocation of sale price
- Taxes
- Handling assumed assets and liabilities
- Earn out
- Assets vs. Stock
- Non-compete agreements
- Length of training
- Earnest money
- Deal structure

Financing

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- All Cash
- SBA Loan
- Conventional Loan
- Private Equity Funding

Closing



- Escrow company
- Neutral site
- Title and lien searches
- Timing
- Closing date
- The closing table

Why use a Business Intermediary?



- Pricing a business
- Buyer prospecting
- Confidentiality
- Higher sale price
- Negotiating a better deal
- Professional marketing program
- The closing process
- Handling the support team
- Business broker services

Selecting a Business Intermediary



- Check credentials
- Business ownership experience
- Understanding cash flow and sale price analysis
- Analysis of deal structure
- Office location
- Marketing plan
- Buyer profiling
- Confidentiality
- References

Pitfalls to Avoid



- Listening to other seller sale prices
- Overpricing businesses
- Bad books and records
- Proving owner perks
- Unreported cash
- Year-end adjustments
- Attorneys
- CPAs

Pitfalls to Avoid



- Bad attitude
- Spouse
- Business brokers
- Handling your support team
- Messy business
- Continue the course of business
- Incorrect information

Prepare for Selling at a Later Time



- Increase sales annually
- Remove yourself from the business
- Develop a strong management team
- Replace family members that work in the business
- Reduce the amount of owner perks
- Sell off all unnecessary assets
- Reduce inventory to the least manageable level
- Develop a strong sales force

Prepare for Selling at a Later Time



- Diversify the customer base
- Develop an organizational chart
- Reduce unnecessary large purchases
- Eliminate unproductive employees
- Develop and/or improve company website
- Have written procedures for operations
- Keep you're A/R higher than your AP
- Keep A/R within 30-60 days

Our Services

Get the Five-Point Advantage

- Selling a Business
- Buying a Business
- Business Valuation
- Business Debt Funding
- Business Advisory Services



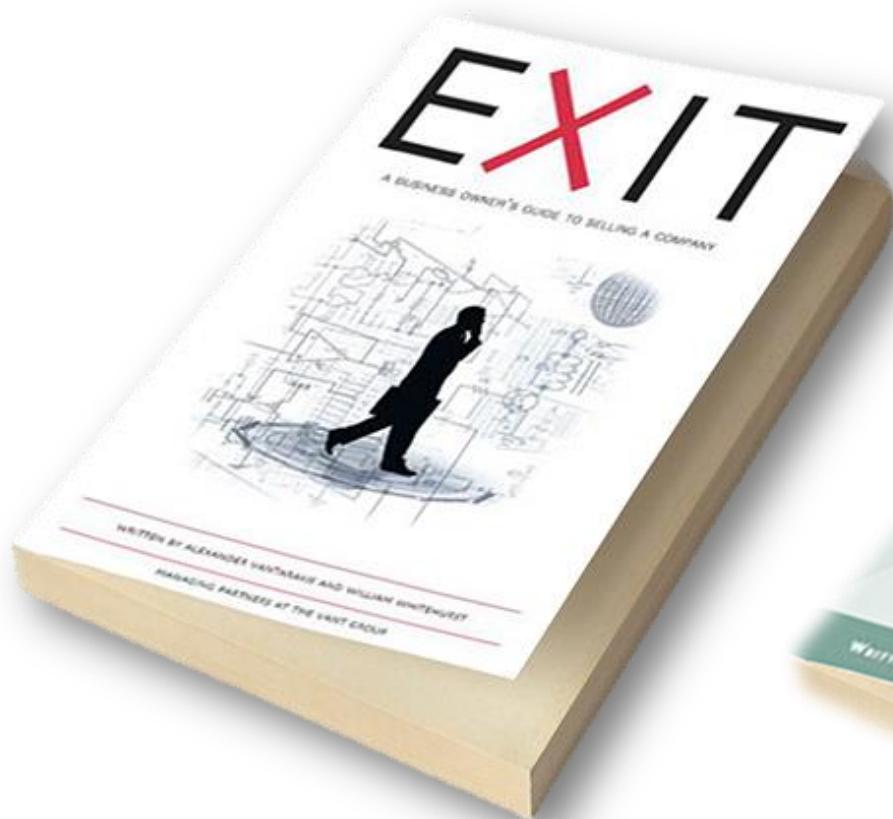
Get The Vant Group Advantange And Discover Our Difference!



- We deliver the **Five- Point Advantage** to our clients: Selling a business, Buying a business, Business valuation, Funding, and Business advisory services
- Founded in 1999
- Closed 80% of the businesses we listed vs. 40% Industry average
- Consistently sold business within 95% of the asking prices
- Closed 500+ business transactions for diverse businesses; including manufacturing, technology, energy, healthcare and service industries
- Established industry best practices as basis for two leading books on business transfer
- 20 years of buying and selling businesses for our own portfolio

Exit and Entrance

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