A SIMPLE INTRODUCTION TO

SELLING YOUR BUSINESS

HOW TO PREPARE YOUR BUSINESS
TO GET THE RESULTS YOU WANT



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FORWARD

I'm beyond excited to bring you the third edition printing of A Simple Introduction to Selling Your Business. Since the book's initial release, it has been truly amazing to see how much the information on these pages can positively impact business owners as they prepare to sell, walk through the sale process, and move on to life after running a business.

Brand new to this issue is the inclusion of deal stories. These real-life examples of businesses being sold tell the stories of real sellers. Some faced health issues, some sought retirement, and some saw it was time for new ownership to take their business to the next level. No two are the same, and I hope you can see bits of yourself in the sellers' experiences shared in this book.

I'm glad this copy of A Simple Introduction to Selling Your Business has found its way into your hands. I hope you will find it as beneficial and useful as it has been for many other business owners just like you.




Calhoun

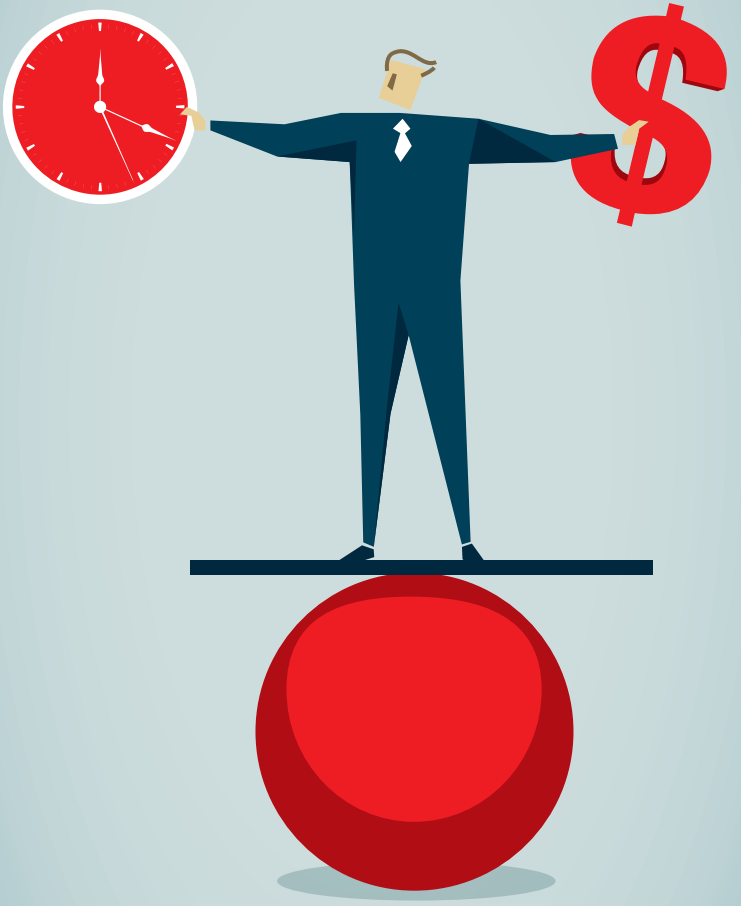
INTRODUCTION

In this book you will find a summary of what my team and I at Calhoun Companies have learned over more than 100 years of helping business owners sell their companies and transition to the next stage of life. It contains everything you need to know about selling your business — from the the initial preparation, all the way to life after the sale. My hope is that this information will help you set your business up for a successful sale, and usher you smoothly into your next adventure.

This guide is based on real-world facts and how they impact the sale of businesses. It is not lengthy. I could have rambled on, but we all know business owners have enough pressing demands on their time. Instead, this guide was written to be both easily accessible and digestible. Every business owner needs these insights, and now every business owner can have them.

Selling your business can be one of the most significant and complex financial transactions you will ever experience. Knowledgeable professionals like the team at my business, Calhoun Companies, possess the perfect combination of expertise and care that you and your business deserve, and are ready to talk when the time is right for you.

You've worked hard to build your business. At Calhoun Companies, we understand that what happens to it is important to you. For more than 100 years, Calhoun Companies has served as a matchmaker for buyers and sellers, guiding both into the next phases of their lives. We focus on small- to mid-sized businesses, helping them leverage their assets and realize their goals through business brokerage, commercial real estate, mergers and acquisitions, and business valuation services.



CHAPTER 1:

WHEN IS IT TIME TO SELL YOUR BUSINESS?

"How can I beat the market?"

How to beat the market is a common question these days, whether we're referring to stocks, home sales, or the sale of any other item or commodity. I often get the same question regarding the sale of businesses. Owners want to know if now is the time for them to beat the market and maximize the value of their business. The answer, however, is there is much more that contributes to selling for top dollar than just timing the market. A market may be positive and riding high, but an unhealthy business will still be difficult to sell. Here are two areas to analyze as you contemplate selling your business.

BUSINESS HEALTH

What are your financial trends? Your business will always sell for more if the numbers are trending up than if they show a downturn. Many owners have a tendency to hold their business too long rather than opting to "sell high."

HOW ABOUT YOUR EMPLOYEES AND INFRASTRUCTURE?

ARE THEY HAPPY AND ON-BOARD?

IS EVERYTHING HUMMING ALONG?

Your business will sell for more if there are no major issues with employees, and if the staff is committed. The same can be said for client and customer relationships.

THE HEALTH OF YOUR BUSINESS



DETAILED INFORMATION



DOCUMENTATION



THE RIGHT TIME

Firstly, are your financials in order and showing profit? If you have decided you are mentally and emotionally ready, the next item to consider is the state of your company from a financial perspective. Buyers want to purchase a company that will return their investment; the more profitable you are, the more your company is worth.

Secondly, do your financials show that profitability? It is common practice for business owners to minimize their profitability for tax planning purposes, but in the years leading up to a sale, it's good to have your profits maximized on your statements — clear as day. This will make it obvious to buyers why they should pay a premium for your business. Also, make sure those financial statements are clean and organized.

Lastly, make sure your business is ready to hand over to a new owner. Is your house in order? Do you have your processes well-documented? Is your operation well-organized? The quicker a buyer can understand your operation and picture themselves in the corner office, the more confident they will be in buying the company and paying top dollar.

ARE YOU PERSONALLY COMMITTED?

HOW DO YOU FEEL ABOUT YOUR BUSINESS?

DO YOU HAVE THE ENERGY AND COMMITMENT TO KEEP IT GOING STRONG?

Business owners often underestimate the time needed to sell their business, and in the end, "run out of gas." The business suffers and ultimately, the sale price goes down. To maximize the value of your business, it is important that you are able to give it your all until the day you hand over the keys.

IS IT TIME?



ARE YOU READY?



YOU ARE HERE



WHAT'S NEXT?

ARE YOU READY?

CAN YOU PICTURE YOUR LIFE WITHOUT YOUR BUSINESS?

WHAT ARE YOU GOING TO DO WITH YOUR TIME?

The reality of business valuations is that if you continue to run your company for approximately three to five more years, you will earn near the full sale price that anyone would pay today. If your response is, "That's crazy. Why wouldn't I just work three to five more years?" that's a pretty good indicator you aren't quite ready to move on.

The health of your business and your willingness to put in the effort to keep it sharp have a much greater effect on value than the outside forces of the overall market. If your financial trends are strong, but you feel your energy waning, now might be the perfect time to sell and get the highest price, regardless of what the business section of the newspaper might tell you. If the financial performance is down, but you have the commitment to grow the numbers, you will likely get a higher price in the future. Take a look at your business's health and your own personal commitment before deciding when it is time to sell your business.

DEAL STORY



A DEAL IS BREWING

SOLD

Sometimes a seller has to step away from their business for reasons beyond their control. That was the case for Chris and Johnell Kolve, who needed to sell their business, Wabasha Brewing Company, due to health issues. While they were looking to sell imminently, they also knew that timing was not their main motivation. Instead, they needed to price the business for a premium sale in order to repay the minority and initial investors who made their business possible in the first place.

Setting the expectations early and good communication are the key drivers to getting any deal done. In this case, knowing that the owners were looking for a premium sale instead of a quick sale allowed Calhoun Companies' agents to provide guidance, even as unexpected situations emerged.

That unexpected situation turned out to be a pandemic that hit the brewing industry hard and had a negative impact on the company's value.

By the time Calhoun Companies was searching for buyers, the business did not have particularly high profitability. But they did have a few key things in place – great staff and management, top of the line equipment, and a fantastic space. They also kept clear financial records that helped demonstrate the possibilities the business had.

Thanks to clear expectations, the business owners were able to wait for the situation to improve and the right deal to come along, even relisting the business after a year. In the end, it was all worth the effort. The business recovered, and the right buyer, an individual with a passion for the brewing industry, emerged. The timing ended up being perfect for both parties, and Chris and Johnell received full asking price for the business and real estate.

The deal just goes to show that people should not get discouraged in the selling process. Finding the right buyer sometimes just takes time.



CHAPTER 2:

GETTING THE BIGGEST BUCK FOR YOUR BUSINESS

Imagine two businesses:

Owner A works long hours and doesn't make much money. He hasn't had a vacation in years, and doesn't really stand out in the market place. Owner B runs a highly profitable company and takes three vacations a year. Her staff excels while she's home or away. Her company has distinct processes and a reputation as being the best in the business. All things being equal, for which business would you pay a higher price?

OWNER A



OVERWHELMED | NO VACATION | MICRO-MANAGED

OWNER B



FREE TIME | BALANCE | QUALITY

At some point during every business owner's career, the question of business valuation comes to mind. Whether you are nearing the point of selling your company, or are in the earlier stages of building your business, there are three main value drivers you need to be aware of:

PROFITABILITY/EARNINGS (CASH IS KING!)

The first thing anyone considering buying your business will look at is your profitability. Is your business making money? By and large, this is what buyers want, and the general value of your business is going to be based on a multiple of earnings. The higher the profitability, the higher the value of your business. Make sure your financials show the profits as well. It's not uncommon for business owners to take profits from the company in many ways. Just ensure the profits are all on the books, and you can clearly show a potential buyer where all the money goes.

THE INTANGIBLES

Items like infrastructure, intellectual property, brand and strategic fit can have a profound impact on how a buyer values your business as they impact the multiple a buyer will apply to earnings to determine value. Can the business run while the owner is away? Do you own a patented product? Are you the most established and reputable brand in the market? The more you can answer "yes" to these questions, the higher the multiple a buyer will use. Conversely, as these items are absent, multiples decrease and values drop. As you become more aware of these items in your business, pay additional attention to how well they would transfer to a new owner. These are the things for which a buyer would pay a premium price.

REAL ESTATE, INVENTORY & CASH, OH MY!

The market value of these three, plus any other balance sheet items that would transfer with the business, are added to the multiple of earnings value. These are assets that in and of themselves are not crucial to the generation of earnings, and thus don't factor into the multiple of earnings component. They are simply additional assets being sold with the business.

HERE IS HOW YOU CALCULATE
THE VALUE OF YOUR BUSINESS:

PROFITABILITY/EARNINGS
X
INDUSTRY MULTIPLIER
+
CERTAIN ASSETS

=
$ BUSINESS VALUE

BUILDING UPON AND IMPROVING THESE
DISTINCT AREAS WILL DIRECTLY INCREASE
THE VALUE OF YOUR COMPANY.

DEAL STORY



MANUFACTURING A DEAL

SOLD

Leadership changes can be opportunities for former owners to cement their legacy and help their businesses thrive, even as they step away. When Tom McChesney, owner of UMA Precision Machining Company, decided to retire to Arizona, he wanted to ensure his business could continue growing. He turned to Calhoun Companies to help him find an experienced buyer.

Knowing the business was priced for a premium sale and the owner wanted to find someone with industry knowledge, the Calhoun Companies agents dug in to find the right fit, expanding their search online and into neighboring states. Eventually, they found a buyer in St. Louis with an M&A background who was looking to acquire a metal manufacturer – exactly what UMA Precision Machining Company does. The connection was unique and natural, and after a visit to the site, the deal was done.

By facilitating this connection, the agents created a deal in which all parties won. Tom McChesney gets to spend more time in Arizona while knowing his business is in good hands, the buyer was able to purchase a thriving company in their preferred industry, and UMA Precision Machining Company is positioned for growth under experienced leadership.



CHAPTER 3:

WHO IS THE BEST BUYER?

What's your best path?

If you anticipate selling your business in the next few years, you've probably already begun to imagine who the buyer will be. You might hear stories of your former business-owner friends and who they sold to, or catch a news story highlighting a successful transition, but still wonder what the best path for you is as you exit your business. It is important to understand all options available. Here is a list of the main types of buyers you will encounter, as well as the pros and cons that come with each.

FAMILY MEMBER

This is often the first transition option that will come to a business owner's mind. They will consider their children as the ones to take over the family business. While there are inherent benefits, such as familiarity with the business and an elevated level of trust, one must take a deep look at whether the child is a good fit to run the business, and if they in fact want to run your business. There is also heightened risk with a family transition in the event the business should falter. Not only might the seller forego any future payments he may be due, but there is the added damage that may have been done to family relationships. Remember, family is more important than business! Because of the far-reaching impact this buyer type could have, we will take a closer look at this option in the next chapter.

SYNERGISTIC BUYER

This is another company that would acquire you. They might be a direct competitor, or perhaps they are in a similar industry and are looking to enter yours. Either way, they have synergies to be gained by acquiring you, which makes the deal more beneficial to them than to other buyers. For example, if they were to acquire you and utilize the components of their own business already in place, they might be able to eliminate a lot of your current office expenses, combine manufacturing facilities, etc. This makes the business more profitable to them. As a result, they might value your business higher than other buyers. A negative is, they might make significant reductions to your staff, and if you value your employees' jobs going forward, this might not be the best buyer for you.

FINANCIAL BUYER

This buyer looks at your business from an investment perspective. They might call themselves a Private Equity Group or a Family Office, but either way, they have a timeframe of ownership and a return on investment in mind. Pros: They have the money and expertise behind them to grow your business to the next level. Often, they might make a partial payment to you up front and keep you on board, allowing you to benefit from their growth efforts when they sell the company or buy you out completely years later. Cons: You will likely be asked to stay on as an employee for at least a year, something you probably aren't used to.

YOUR EMPLOYEES

At first glance, this might seem to be a good fit. They know your business, have proven their loyalty, and you can trust them. There are pitfalls to be aware of, however. Do they have the money to give you the down payment you are looking for? Often employees don't have the financial means to buy your business. Do they have the skills to run the company? The character traits that make good employees often don't translate to being good owners.

INDIVIDUAL BUYER

While perhaps not the first buyer type that comes to mind, the individual buyer might just be the best fit for you and your business. This buyer is either a serial entrepreneur, or someone leaving corporate America to chase their dream of owning a business. If they have savings and the ability to get financing, you will get the cash you need upon closing the sale. Because of their lack of specific industry experience, they value what you have built and will pay a premium price to ensure your commitment to a smooth and successful transition.

There's not one single buyer type that is best. All can bring good things, but also drawbacks to a business transition. Knowing the different options and their pros and cons can help you better clarify your goals as you exit your business, and prepare you for responding as different buyers make you offers.

DEAL STORY



PASSING THE TORCH

SOLD

When Bud Miller, owner of Miller Electric, decided to retire, his primary concern was making sure his employees would be taken care of. He spent his entire career building his business and attracting a skilled and dedicated workforce, something that was particularly difficult to find and retain in his industry. After all these years, he wasn't about to abandon them, even if he was stepping away from his company. Luckily, having loyal employees would work to his benefit.

An established business with a loyal workforce and clear financials is deeply attractive to potential buyers. Buyers will pay a premium price for a business that will be ready to go as soon as the deal closes.

The deal itself progressed naturally. Another electric company in the area was looking to grow and acquire a skilled team, and believed that Miller Electric would be a great business to purchase and incorporate into their operations.

With the buyer being in the same industry, both parties were able to speak the same language. There was nothing lost in translation and the business wouldn't miss a beat in the transition.

Both buyer and seller were keen to make the deal happen, and everything ran smoothly. In fact, the only hold up was waiting for finalized tax returns the bank needed in order to close the transaction.

Now Bud is able to slow down and spend more of his time traveling, the buyer can expand their business, and the employees at Miller Electric are taken care of.



CHAPTER 4:

IS FAMILY SUCCESSION RIGHT FOR YOUR BUSINESS?

As we mentioned in the previous chapter, transitioning your business to a family member is a possibility that could be a great fit or a terrible fit, depending on the factors involved. It seems just about every week there is a different seminar, webinar, or blog that comes to my inbox pertaining to succession planning. It's become a bit of a buzzword these days. The experts want to share how to best transition your business to the next generation. But, how do you know if transferring the business to your children is in your best interest, their best interest, or the company's best interest? Here are the top three reasons why you may want to look to an outside buyer when it becomes time to transition out of your company.

INTERESTS

Simply put, your child may not want to run your company. When you look at society today, it seems more kids opt to go a different direction than their parents, rather than follow in their footsteps. Don't be surprised if the same is true for your family. Most parents can agree that they want their children to lead happy, fulfilling lives. Don't push them into a career they would rather not pursue.

ARE YOU
READY?



IS YOUR FAMILY
THE RIGHT FIT?

SKILLS

This one may be a little trickier to discern. A son or daughter may express interest in the business, but do they have the technical skills, business acumen, and leadership ability to take the reins of the company? You know the hours, dedication, and sacrifice it takes to grow and run a business. Do you see that ability in your children?

MONEY

One of the primary motivators in selling a business is to move on to something different. Whether it is retirement or the next business opportunity, that next endeavor will take money, meaning you are likely looking to take some of the hard-earned equity you have in your business off the table. Outside buyers will usually have stronger abilities to bring cash to a transaction and into your pocket. Conversely, putting together a deal with one of your children usually involves little to no cash at closing, which leaves you with next to nothing after closing and saddles them with enormous debt obligations. Depending on how greatly they possess the above-mentioned interests and skills, they may never be able to pay, and you will be left taking back a broken business.

Family business can be a great thing, but it's best to proceed with caution. There are risks to consider that you wouldn't necessarily face in dealing with an outside buyer. Family is one of the most important things in life, and it would be a shame if something like business got in the way.

DEAL STORY



A FAMILY LEGACY

SOLD

The decision to sell a business is rarely easy, and often comes with a great deal of emotional investment – even more so when it involves the passing of a beloved family member. A Calhoun Companies agent guided a family through just that situation, helping them sell their late father's trucking company. The business was inherited by the family who wanted to maintain his legacy, but did not feel they had the expertise to run the business as well as it deserved.

Helpfully, the family had prepared the business for sale in advance of reaching out to Calhoun Companies. There was great infrastructure in place, the financials were in order, and everyone was ready to get the deal done. The Calhoun Companies team went to work quickly, reaching out to his database of active buyers to see if they would be interested in purchasing the business. While the first buyer to express interest wasn't the right fit, our agent reassured the family and went to work to find a new buyer.

The right fit ultimately turned out to be a buyer who had previously worked with the agent to search for the ideal business to buy. By the end of the deal making process, both parties felt they made the right decision and were ready to move into the next phase of their lives.



CHAPTER 5:

SELLING IS A TEAM ACTIVITY

Growing up, I learned a lot about home improvement from my dad, and today, I am an avid "do-it-yourselfer." The primary reason I can be successful in my home projects is that I know my limits. My dad always said, "If it's behind the walls, I don't touch it." Meaning, he knew when to call the plumber or the electrician. I have learned to do that as well.

The same can be said about the process of selling your business. To maximize the value of your business, make the process smooth, and keep the business healthy until it is handed over, you must bring in your team of experts. You have grown your business by being an expert in your field, and have likely relied on a team of experts from other fields. When you are beginning the process to sell your company, it is time to draw them in even closer.

Here are the critical team members you will want to include as you sell your business. Keep in mind, the team will function best with one quarterback or captain. It doesn't necessarily matter who that is, and it could even be you, but make sure it is known who is leading the team.

TRUSTED TEAM



BUSINESS BROKER



ACCOUNTANT



ATTORNEY



FINANCIAL ADVISOR

BUSINESS BROKER/M&A ADVISOR

This is often the team member who gets the ball rolling. They will be the one who brings the business to the marketplace in a presentable fashion, including establishing value, preparing marketing materials, and beginning the search for a buyer. They are matchmakers and can be a good quarterback choice to guide the deal through to a successful closing.

ACCOUNTANT

Most likely, you have been working with this person for years, and they will continue to be instrumental in successfully selling your business. Clean and organized financial statements both maximize the value of your business and earn the trust of potential buyers. Buyers want to know that "the house is in order."

ATTORNEY

A good transaction attorney will be able to analyze documents on your behalf, looking out for your best interests. Make sure they have experience in business transactions.

FINANCIAL ADVISOR

Hopefully you have built your business well, and upon closing the transaction, you will have a sizable amount of money you need to put somewhere. A good financial planner can help you come up with the plan best suited for you and your family. Also, along with your accountant, they can help you plan for the tax ramifications of the sale, ensuring you get to keep as much money as possible.

Something to remember regarding all members of your team: Make sure they are deal-makers, not deal-killers. You are the boss and you have decided to sell your business. Make sure each team member is aligned with your mission and goals. Help yourself by asking for help from your team. Recognize your limits when you are entering the "behind the walls" phase. It will lead you to a successful transaction.

DEAL STORY



TRUSTING THE DEAL

SOLD

For many business owners, the choice to sell the company they worked hard to build is years in the making. They take their time to come to terms with what life after the sale will look like and then begin to prepare for it. However, life doesn't always give you time to plan. Vinny and Thu Nguyen learned this first hand. The two had built a successful liquor store, Wandering Spirits Liquor, and were continuing to grow the company when health issues derailed their plans. Since they were no longer able to operate the company, they had no choice but to look for a partner to help them sell it. On the recommendation of their landlord, they reached out to Calhoun Companies.

The business was actually in a really great position for a sale. The company was healthy and had grown significantly throughout 2020, proving it was resilient and could stand the test of time. The business also benefited from being in a great location and having full-time staff already in place.

Since health issues made it essential to sell the business quickly, Calhoun Companies priced the deal accordingly, focusing on making it attractive to potential buyers. The deal even included nearly $40,000 worth of inventory.

With a well-positioned business hitting the market at the right time, a buyer quickly emerged and proved to be a fantastic fit. The buyer and seller got along great and quickly built trust with each other. The seller even helped the buyer secure the lease with the landlord and pledged some of his own capital to make sure the transition went as smooth as possible.

Because of the dedication, motivation, trust and flexibility of the buyer and the seller, they were both able to achieve their goals. Vinny, the seller, was able to sell his business quickly and at his asking price, freeing him up to focus on recovering from health issues and spend time with family. Meanwhile, the buyer quickly got acclimated to a business they are excited to own and immediately got to work with the help of the full-time staff and inventory that were already in place.



CHAPTER 6:

CHOOSING A BUSINESS BROKER

Now is the time. From humble beginnings, you've grown your business to the success it is today. It has supported you and your family, but now it is time to sell and move on to the next chapter in life. While you may be tempted to sell your business on your own, hiring a proven business broker can simplify the process and earn you a higher sale price. But, how do you hire the right broker? During a phone conversation or an initial meeting, try to get a feel for how a broker stacks up in each of the following categories:

EXPERIENCE

Going with an experienced company and broker is crucial. How long has the company been in business? How many deals do they close each year? Questions like these will ensure they do quality work, have ethical processes in place, and can represent you well. A broker who has sold businesses like yours in the past can anticipate challenges and know how to guide a deal to closing. However, a broker newer to the industry can bring energy and motivation in representing you, and if they have a strong company behind them, they can be just as effective as a broker who has been in the business for 20 years.

CREDENTIALS

First and foremost, make sure your broker is properly licensed. From there, find out what industry organizations and other groups they belong to; for example, they might belong to the International Business Brokers Association or M&A Source, or local chambers. While licensing is the main required credential, the others can give insight as to their level of expertise and involvement in the business community.

LEADERSHIP

Are they well respected and connected in the community? Do they give back? Are they connected to attorneys, accountants, bankers and other professionals who might all play a role in getting your business sold? Ask those advisors what business brokers they have worked with in the past. I'm sure they have opinions.

COMMUNICATION

At the beginning of the process, make sure your broker is open, honest, and responsive to you, and is willing to take the time to understand you, your company, and your goals. Further along in the process, make sure the broker plans to communicate with you in a way that meets your expectations. Selling a business can take time, and there may not be any news on a week-to-week basis. Make sure there is a clear understanding between you and the broker as to how and when communication will take place.

BEING A TEAM PLAYER

As we discussed in the previous chapter, selling a business is a team game. Make sure that the broker you choose is not overly controlling and can work well with others. They should be more than open to having your attorney, accountant, and other professional advisors involved in the sale of your business. A good broker will not try to shut out others so they can control the situation, but will recognize the importance each plays in the process, and will seek to include all while guiding the business to a successful sale. Balance is key, however, as you want your broker to be assertive enough to keep the process moving forward.

THAT FEELING

You will have more fun working with someone you like and respect. Look for character and personality traits you value and appreciate. There are as many different types of business brokers as there are different types of people out there. Find one you feel comfortable with and confident in.

DEAL STORY



FINDING THE RIGHT FIT

SOLD

Retirement is the primary motivating factor for business owners to sell their companies. It's no surprise considering many owners are baby boomers nearing retirement age, and they have been waiting for the optimal time to sell and move on to the next chapter in their life. This was the case for Tim and Rick Benson, owners of Designer Iron, Inc.

Tim and Rick had previously listed their company for sale with a different business broker but did not find the success they were looking for. Despite the business being in good shape, a year went by without a deal. When the listing expired, they turned to Calhoun Companies. Now, all the pieces were in place.

Designer Iron was well positioned for a sale. The company employed an experienced and dedicated staff, there was a strong customer base, the financial statements were well prepared, and the facility was in a great location and well suited for their operation. The company even included real estate and inventory in the sale. That's why the business received multiple offers within the first 30 days of being listed by Calhoun Companies.

Ultimately, the buyer tuned out to be a locally-based individual with a business ownership background and an interest in the fabrication and construction industries. He inquired through an online advertisement within two weeks of the business hitting the market, and within 30 days an offer was agreed to between buyer and seller.

The deal structure came together quickly, and with Calhoun Companies' expert guidance and the commitment of all parties, financing and due diligence followed, and the deal was completed. Both partners were able to exit the business in a relatively short time frame, and received a great price for the business. The employees and legacy of Designer Iron are in good hands, and the company continues to thrive.



CHAPTER 7:

MAINTAINING CONFIDENTIALITY

From the onset, one of the primary concerns of any business owner interested in selling is how to keep their actions confidential. They might say, "I don't want my customers to know I'm thinking of selling," or, "My employees can't know what I'm planning." While a business owner ultimately must be prepared for the word to hit the street, there are ways to manage the sale to maintain confidentiality as long as possible.

BLIND ADVERTISING

Any advertising on a business that is for sale should be "blind advertising." The goal of blind advertising is always to drive inquiries, not to reveal the business. Ads should be written generically, stating the industry, approximate size of the business, and possibly general location: but nothing that would lead anyone to know specifically what business is for sale. Depending on the industry and number of similar businesses in the geographic area, some of these ads can be more specific than others, but always ask yourself, "Can someone tell who I am based on this ad?"

CONFIDENTIALITY AGREEMENTS AND BUYER QUALIFICATION

Once you are attracting the attention of potential buyers, it is imperative they sign a legally approved confidentiality agreement before any of your information is released to them. If your sale is being managed by a broker or mergers and acquisitions professional, this form will be signed before they even reveal the name of your company. This is also the time a buyer will be qualified to see if they have the means and the ability to buy your business. If not, there is no need to release any confidential information to them.

BE READY TO ANSWER

Ultimately, customers and employees may start asking you if the business is for sale. This question may be innocent enough, so it is best to always have an answer ready for anyone that brings up the subject. My favorite strategy is to play it off in a lighthearted fashion. Responses such as, "Everything's for sale for the right price," or, "Did you bring your checkbook?" defuse the situation quickly, and put the pressure back on the asker of the question to reveal their motives.

MANAGE THE PROCESS

A signed purchase agreement doesn't mean the need for confidentiality is over. Make sure you and your buyer have a clear understanding of when employees will be told of the sale. While some key employees may need to be drawn into the process earlier on, it is generally best to wait as long as possible to tell employees a business is being sold, often sharing the news after closing the transaction. Until ownership is officially transferred, you never know what might happen, and a deal might fall apart. In that case, it is best employees and customers not be aware of the sale. Remember that maintaining confidentiality through the selling process is important, but it is not an all-or-nothing scenario.

SECURE PROCESS



THESE TIPS CAN HELP YOU MAINTAIN CONFIDENTIALITY BY KNOWING WHAT TO SHARE AND SAY, AND WHEN. BROKERS AND M&A PROFESSIONALS CAN GUIDE YOU THROUGH THIS PROCESS AND LEAD YOU TO THE BEST RESULTS.

DEAL STORY



ENJOYING RETIREMENT

SOLD

When you're a business owner, retiring isn't as easy as giving a few weeks' notice and moving on to the next phase in your life. It requires careful preparation, a succession plan, and often the help of experts to sell your business. Mike and Cheryl Field, a husband-and-wife duo, found themselves in exactly that situation. The two wanted to sell their small business, US Power Bid, quickly so they could enjoy their future together, but they needed help to get a deal done.

They reached out to Calhoun Companies who focused on the seller's main priority, getting a deal done quickly. We helped price the deal fairly to generate interest in the business. The deal also included an added bonus - the seller was interested in working with the new owners for a year to make a leadership transition run as smoothly as possible.

While looking to sell a business quickly can often lead to hasty decisions, our agents guided Mike and Cheryl through the process, ensuring they would find a deal that allowed for a quick transition at a fair price.

Once the business hit the market, there was a lot of interest from buyers. While the first buyer to express interest ultimately was not the right fit, our agents quickly helped Mike and Cheryl find the perfect buyer that hit all of the goals they had in mind. Over the next year, Mike and Cheryl supported the transition in ownership, then moved on to enjoying their retirement knowing that their business is in good hands.



CHAPTER 8:

SPEEDING UP THE SALE

"How long will it take to sell my business?"

One of the many questions I get asked about the process of selling a business is, "How long will it take?" There are many factors that determine how long a business will be on the market, making it a difficult question to answer. But while some of these factors might be out of your control, there are multiple actions you can take to speed up the process and bring about a quicker sale.

REASONABLY AGGRESSIVE PRICING

Pricing is one of the most important factors in a quick sale, and working with an experienced broker is one of the most important factors in making sure your business is priced correctly. While it might be tempting to think that the lower you price your business, the faster it will sell, this isn't always the case. There is a point at which a business can be priced too low relative to its cash flow, causing potential buyers to become suspicious of why you are selling. They might get the impression that you are trying to dump the business and that you might know something they don't. Buyers may be looking for a good deal, but they also expect to pay a reasonable price for a good business. An experienced broker can help you identify the realistic price range within which your business would sell, and if speed of sale is one of your primary goals, consider going to market at the low end of this range.



GOALS + COMPROMISING

BE ORGANIZED

Once you have a buyer interested in your business, the lengthy process of meetings, discovery, offers, counter offers, due diligence, etc., begins. The buyer will be requesting a lot of information throughout the process. Your broker will be there to help you know the right time to release the information. Having the information on hand will keep the process moving toward a quick close. Items to have ready, clean and organized include three past years' and year-to-date financial statements, three past years' tax returns, copies of any leases, and internal documents such as organization charts and policy manuals. Not only will having these available keep the process moving along quickly, but it will also put the buyer at ease, seeing you are running a clean and organized operation. A confident and assured buyer is one that keeps moving to closing.

Ultimately, it is important to remember that selling your business is a negotiated transaction, and negotiations require give and take. Before you go to market, identify your top priority in selling your business.

IS IT A QUICK SALE?

IS IT TO MAXIMIZE YOUR PROFIT?

IS IT TO ASSURE JOBS FOR YOUR EMPLOYEES?

To achieve any of these goals, you will often need to make sacrifices in other areas. If the timeline is your only concern, be prepared to make concessions on price and other terms of the deal.

DEAL STORY



PRICED TO MOVE

SOLD

Many business owners decide to sell their companies in order to retire, especially in Minnesota where retirement often means moving south to avoid the snow. That was the case for Nick and Dawn Grossman when they decided to sell their company, Ed's Towing Services. By its nature, towing is a 24/7, rain, snow, or shine business. After 20 years of ownership, it simply became more than Nick and Dawn were looking for. Instead of business ownership, their future plans became moving to Arizona and taking on only part-time employment.

Luckily, Nick and Dawn knew where to turn to find help selling their business. They were aware that Calhoun Companies had successfully helped a local competitor sell their towing company years prior, and now it was their turn.

Ed's Towing Services was in great shape for a sale. The deal included the business as well as an office, shop and additional storage lot. Nick and Dawn also kept clean financial statements that were easy to read, and the business had strong cash flow.

With these factors in mind, we helped price the business for a premium sale. Unfortunately, reality sometimes gets in the way. The business went to market in Spring 2020, just in time for COVID-related shutdowns. The situation affected several months of revenue for the company, necessitating a change.

The decision was between whether to keep the business priced as is and wait for the situation to improve, or adjust the price for a faster sale. The owners decided to adjust the asking price.

The decision proved to be a wise one. An individual buyer with a great business background and financial strength emerged to purchase the company. Ultimately, Nick and Dawn were able to walk away with a great deal and make their move to Arizona.



CHAPTER 9:

WHAT WILL YOU WALK AWAY WITH?

What your business sells for does not equal the amount of money you put in your pocket. As part of our work with business owners as they prepare to sell their businesses, we provide business valuations. Knowing the market value of your business (what you can expect the business to sell for on the open market) is a key piece of information that you will need in order to make educated decisions regarding whether to sell, what price to accept, and so on.

On a few unfortunate occasions, I have seen sellers surprised at closings by financial obligations they had overlooked, which ate into their net proceeds. Suddenly, a seven-figure sale price can net only a few hundred thousand to their personal account. Not an ideal scenario.

HOW CAN THAT HAPPEN?

HOW CAN YOU AVOID THE SAME FATE?



FREE & CLEAR

There are three main items to remember as you evaluate a sale price for your business and what it would put in your wallet.

YOU WILL PAY YOUR DEBTS

Most small businesses are sold as asset sales. Simply put, the assets of one corporation are sold, free and clear, to another corporation. The emphasis here is on "free and clear," meaning that at closing, before you get any money yourself, any loans and debt you have against the business will be paid in full. Any financed equipment and vehicles will be paid off. Any real estate loans will be satisfied. All balances will be brought current.

In the case of a stock sale, a business owner sells all the stock of their company, and is not responsible for the debt unless agreeing to be as part of the negotiations. Under this scenario however, you must remember that the seller also gives up any claim to receivables.

YOU WILL PAY YOUR TAXES

One of the two great certainties in life is taxes. Your tax liabilities can vary greatly depending on the allocation of the purchase price (which is agreed to between buyer and seller), your tax bracket, and your personal financial situation. It is of utmost importance that you involve your accounting and tax professional in your sale from the very beginning. They will be able to help you to negotiate an allocation that is favorable to you, and to help you properly anticipate what you will owe Uncle Sam after closing.



EVEN A BANK-FINANCED
TRANSACTION MAY REQUIRE THAT
THE SELLERS KEEP SOME SKIN
IN THE GAME.

YOU WILL LIKELY FINANCE A PORTION OF THE TRANSACTION

Almost all sellers begin the selling process by stating they will not finance the purchase. The reality is, they usually must if they want to sell their company. Even a bank-financed transaction may require that the sellers keep some skin in the game. SBA loans typically have sellers carry 10 percent of the purchase price, while conventional financing requires more. If a bank is not involved, the seller should expect to finance an even higher percentage of the sale price. This differs from debts and taxes in that eventually you will receive your money, but you need to remember that it is a portion of the sale price you won't be carrying away from the closing table.

Closing the sale of your business is a big day. You are hopefully rewarded for your life's work, and can set yourself up for a comfortable retirement. Being aware of the factors that determine your net proceeds at closing can be a game changer. Be sure to involve your team of experts, and be prepared for what's ahead.

DEAL STORY



FIRST TIME SELLER

SOLD

When Chee Yang, the owner of Ace Colorz Auto Body LLC, decided he was ready to sell his business to pursue other interests, he knew he needed help. Most business owners are not able to sell their business on their own. Starting, growing, and managing a successful business requires a different skill set than selling one. If you want to successfully sell a business and see your legacy left in good hands, trust a professional.

Chee chose to trust Calhoun Companies, and we got to work immediately, analyzing the business and getting it ready to hit the market. Luckily, the business itself was in a good position to sell. While there was not much infrastructure, the location was ideal and financials were in order and easily reconciled. Taking into consideration that Chee ran the businesses on his own with some part-time help, we helped determine the sales price and set the business up for a quick sale.

The ideal buyer quickly became apparent. An industry buyer was actively looking to expand their operations, and was interested in acquiring Ace Colorz Auto Body. The deal would give the buyer additional space and business, while Chee could trust that his loyal customers would be left in good hands while he moved on to other passions.

Finding a synergistic buyer is a great outcome for a seller. These deals often end up being win-win situations with sellers being able to leave their business in good hands and buyers being able to grow their companies.



CHAPTER 10:

SELLING WITHOUT REGRET

"Why do I want to sell?"

It's the first question anyone contemplating the sale of their business must answer. Price and terms of a transaction will be negotiated and details might fade from your memory over time, but true happiness and peace with your decision to sell hinge on a firm understanding of your own internal motivation.

"AWAY FROM" MOTIVATION

These are the motivating factors within your business pushing you to sell. It is what motivates you away from your business. This is how most people instinctively answer the "Why do you want to sell?" question. This form of motivation addresses the things you want to leave behind. In other words, the aspects of your business you are happy walking away from — the stress, the long hours, having to make payroll, dealing with difficult employees or vendors, etc. However, you must also consider the elements of your business you do enjoy. Giving up one means giving up the other.

For most business owners, this is a pretty easy form of motivation to understand and is often the initial reason someone considers selling. But to be fully happy with the decision to sell, "away from" motivation can never be the sole motivating factor.

YOU MUST FULLY GRASP BOTH
WHAT YOU ARE LEAVING BEHIND AND WHAT
YOU ARE MOVING TOWARD:

PAST



FUTURE

HOW ARE THEY BOTH PUSHING AND PULLING YOU?
WILL THAT ACCOUNT FOR A HAPPY POST-BUSINESS LIFE?"

"TOWARD" MOTIVATION

These are the motivating factors in your personal life pulling you toward a life after business. What are you going to do after you sell your business? What are you moving toward? Many will say they are going to spend more time golfing or fishing. When you have spent the last 35 years of your life working 10-hour days, is that a realistic expectation? Some people might golf that much, but for others, it might be charity work or spending more time with their grandkids. Take the time to consider how you plan to spend your new free time.

It's amazing how many entrepreneurs come back looking to buy a business shortly after they have retired. Statistics show that nearly one quarter of all new businesses were started by baby boomers, ages 55-64. If you are deciding to leave your business, it's best to figure out where you are headed, even if that road does lead to another business.

With every year that goes by, I realize that a healthy and happy life is all about balance — eat your greens and enjoy an occasional dessert, work hard and be home for your family, etc. Selling your business is no different. You must fully grasp both what you are leaving behind and what you are moving toward, how they are both pushing and pulling you, and whether that will account for a happy post-business life.

WHY DO YOU WANT TO SELL?

ULTIMATELY, THIS IS A QUESTION ONLY YOU CAN ANSWER.

DEAL STORY



FEELING THE SYNERGY

SOLD

It's not unusual for a business owner to decide to sell their company to pursue other dreams. Katie Bright, owner of Mount Financial Services, Inc. was in exactly that boat when she decided to sell her company. Katie wanted more flexibility to pursue her goal of becoming a financial planner, but lacked the time to achieve that goal while still running her accounting business. Luckily, Calhoun Companies, was there to help.

From the start of the process, we knew that not just any buyer would do. We needed to find a buyer that would be capable of absorbing the current client base while still providing a high level of service.

To find the ideal synergistic buyer, our agent reached out to previous contacts in the accounting industry and quickly received interest. Then, COVID hit. While the initial phases of the sales process were interrupted, our agent quickly identified an opportunity to make the business even more appealing to potential buyers. It became apparent that businesses that could adjust to doing things virtually would be in much higher demand. It took some time, but Calhoun Companies was able to help them build virtual capabilities for the business, and the offers followed.

The business ultimately ended up with two offers, one of which was clearly the right fit. From there, things moved quickly. It took just over 45 days from receiving the offer to closing the deal. Now, Katie feels like a huge load has been lifted off her shoulders, freeing her up to pursue her new dreams.


Calhoun

FINALE:

QUESTIONS & NOTES

There you have it, a simple introduction to everything you need to know about selling your business. How do you feel?

Selling your business will be a life-changing event. While the many professionals you surround yourself with will help guide and assist you in the process, the first steps must be yours. Here are some questions to help you take the lessons from this book and put them into action.

NO.1

WHAT STOOD OUT TO YOU MOST FROM THIS BOOK?

NO.2

TAKE A MOMENT TO CALCULATE YOUR OWN SELLER'S DISCRETIONARY EARNINGS:

Sales	
Gross Profit	
Net Income	

Add Backs	
Officer's Salary	
Interest	
Depreciation	
Amortization	
Health Insurance	
Life Insurance	
Personal Vehicle	
Additional Benefit	
Additional Benefit	
Additional Benefit	
Total Add Back	

SDE (Net + Total Add Back)	

NO.3

BASED ON YOUR KNOWLEDGE OF YOUR BUSINESS, WHO DO YOU THINK WOULD BE THE IDEAL BUYER TYPE?

NO.4

WHAT ACTIONS CAN YOU TAKE TODAY TO INCREASE THE VALUE OF YOUR BUSINESS?

NO.5

THINK ABOUT A POTENTIAL BUYER.

WHAT WILL MAKE THE BUSINESS ATTRACTIVE TO THEM?

NO.6

ASSEMBLE YOUR TEAM.

LIST SOME OF THE PEOPLE YOU CURRENTLY KNOW FROM YOUR NETWORK.

BUSINESS BROKER

ACCOUNTANT

ATTORNEY

FINANCIAL ADVISOR

NO.7

UNDERSTANDING YOUR GOALS CAN HELP LEAD TO A QUICKER SALE. PRIORITIZE YOUR MAIN OBJECTIVES FOR THE SALE OF YOUR BUSINESS

(E.G., SPEED, TOP PRICE, BEST-FIT BUYER, ETC.)

A:

B:

C:

D:

NO.8

WHAT WILL YOU BE GLAD TO LEAVE BEHIND WHEN YOU SELL YOUR BUSINESS?

NO.9

WHAT WILL YOU MISS MOST ABOUT OWNING AND RUNNING YOUR BUSINESS?

NO.10

WHAT ARE YOU EXCITED TO DO ONCE YOU SELL YOUR BUSINESS?

IF THIS GUIDE HAS SPARKED ANY ADDITIONAL THOUGHTS ABOUT SELLING YOUR BUSINESS, NOTE THEM HERE TO KEEP YOURSELF ON TRACK.