



Helping Small Business Owners Reap the Rewards of Entrepreneurship

Six Steps to Help You Sell Your Business

Brought to you by

BizBuySell

Six Steps to Selling a Business

1. Am I ready to sell?
2. What is my business worth?
3. Should I use a broker?
4. How should I market my business?
5. What do I do when I get an offer?
6. How do I close the deal?



Step 1: Am I Ready to Sell?

Not Ready To Sell



Ready To Sell



Timing the Sale Correctly

- **Selling too early...or too late...leaves money on the table**
- **Questions to ask:**
 1. Why am I selling? Is this a good story to tell buyers?
 2. What is the trajectory of the business?
 3. How stable is my business; e.g., customer base, staff, etc.?
 4. Is this the right season; i.e., is my business seasonality going to help or hurt me as I progress through the 8-10 month sales process?
 5. What are the tax implications?



Prepare to Sell Checklist

1. Demonstrate the business is worth the asking price

- Assemble well-organized, solid financial records (at least 3 years!)
- Fix up the facilities

2. Prove potential for increased profitability

- Highlight key advantages of business/sector; e.g., recession resistance
- Create a Growth Plan outlining key opportunities (and steps to capture!)

3. Be organized

- (Re)Write key contracts (client, vendor, etc.) so that they can be transferred to a new owner
- Create an Operations Manual

4. Build a business that's easier to finance

- Highlight tangible assets to help the buyer secure financing
- Provide seller financing (more on this later)

5. Focus on the positive; i.e., highlight the business strengths!



Step 2: What's My Business Worth?

1. An accurate business valuation is the cornerstone


- Critical to decision to sell (per Step #1)
- Critical to effective marketing; i.e., setting the Asking Price
- Critical to negotiations

2. Triangulate on the valuation using multiple sources

- Starting point: BizBuySell Valuation Report (quick, easy, very low cost)
- Financial analysis: Use estimated future cash flows to arrive at an NPV
- Customized appraisal: Provided by brokers or appraisers; typically several thousand dollars or as part of a listing agreement (see Step #3)


BizBuySell Valuation Report

Example Report



The Internet's Largest Business for Sale Marketplace

in alliance with



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HOME
BUY A BIZ
SELL YOUR BIZ
FIND A FRANCHISE
VALUE A BIZ
FIND A BROKER
FOR BROKERS
BIZ NEWS
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Sample Valuation Report

The Valuation Report will calculate a suggested asking price for a business you are interested in valuing by benchmarking it against businesses in the same industry. [Run a Valuation Report today!](#)

We calculate a range of suggested asking prices based upon the financial criteria of businesses in your report.

Narrow down the businesses analyzed in your report to fit the profile of the business you're interested in valuing.

View sale data of businesses included in your price analysis.

Your report entitles you to view the sale details of up to 50 individual Sold businesses.

Refine Report

Show Businesses

All Businesses

For Sale

Recently Sold

Gross Income to

Cash Flow to

Sale / Asking Price to

Sale / Listed Date

Location

Keyword

Update Report

Suggested Asking Price Analysis

<p>By Average Sale/ Asking Price</p> <h2 style="margin: 0;">\$1,920,600</h2> <p><small>(Average of ALL Sale / Asking Price)</small></p> <p>Average Asking Price \$1,944,300</p> <p>Average Sale Price \$1,902,000</p>	<p>By Gross Income</p> <h2 style="margin: 0;">\$1,750,000</h2> <p><small>(Your Gross Income x Median Multiplier)</small></p> <p>Average Gross Income \$725,000</p> <p>Median Multiplier 1.75</p> <p>Gross Income <input type="text"/> GO</p>	<p>By Cash Flow</p> <h2 style="margin: 0;">\$1,822,500</h2> <p><small>(Your Cash Flow x Median Multiplier)</small></p> <p>Average Cash Flow \$595,000</p> <p>Median Multiplier 2.43</p> <p>Cash Flow <input type="text"/> GO</p>
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335 businesses used in Price Analysis

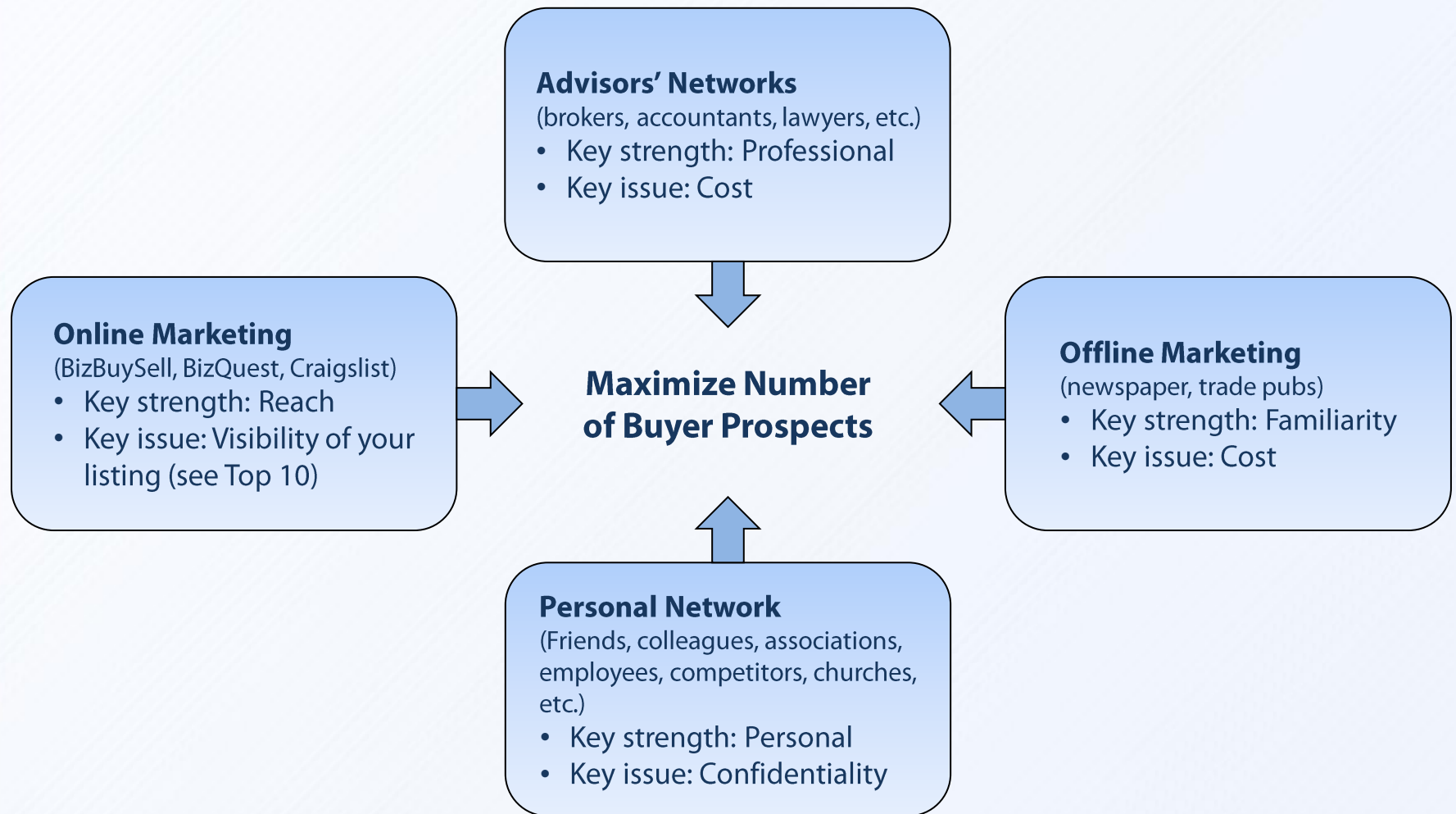
To exclude any of these businesses from the analysis, select the checkbox and click "REMOVE" button. Page 1 2 3 4 5 ... 20 Next

	Date	Status	Sale / Asking Price	Gross Income	Cash Flow
<input type="checkbox"/> Multi-Unit Franchise Opportunity <small>Los Angeles County, California</small>	12/21/07	For Sale	\$3,800,000	\$4,130,000	\$920,000
<input type="checkbox"/> Pizza Franchise <small>Los Angeles County, California</small>	12/02/07	For Sale	\$1,400,000	\$1,850,000	\$425,000
<input type="checkbox"/> High Revenue Buffet <small>Los Angeles County, California</small>	11/16/07	Sold	\$1,820,000	\$2,900,000	\$380,000
<input type="checkbox"/> Profitable Restaurant	10/05/07	For Sale	\$1,500,000	\$2,500,000	\$555,000

Step 3: Should I Use a Broker?

	Using a Business Broker	For Sale by Owner (FSBO)
Cost	<ul style="list-style-type: none"> • Usually 8-12% range • Commission declines with larger businesses (>\$1.0M) 	<ul style="list-style-type: none"> • No up-front cost • Seller “pays” in other ways (e.g., distraction from the day-to-day operations)
Ultimate Sale Price	<ul style="list-style-type: none"> • Broker experience/training typically yields higher price 	<ul style="list-style-type: none"> • Few owners have the experienced/skills to achieve an optimal price
Services Provided	<ul style="list-style-type: none"> • Common broker services: <ul style="list-style-type: none"> - Preparing the business for sale - Marketing the business - Screening potential buyers - Helping secure financing - Due diligence support • Permits owner to focus successful continued operations (key to sale) 	<ul style="list-style-type: none"> • Be prepared to handle the many details of a business sale transaction...while continuing to operate the business • Consider leveraging an accountant and/or attorney
Other Things to Consider	<ul style="list-style-type: none"> • Not all brokers are equal • Look for accreditation; e.g., IBBA member, “Certified Business Intermediary” (CBI) 	<ul style="list-style-type: none"> • It can be done, but most sellers will net a higher price, enjoy a faster sale and experience less stress using a broker

Step 4: How Should I Market?



The Top 10 of Online Marketing

1. Include Key Financials
2. Maximize Geographic Information
3. Write an Eye-Catching Headline
4. Always Include Contact Information
5. List in Two Business Categories
6. Write Great Business Descriptions
7. Use Photos Whenever Possible
8. Sell AND Protect Confidentiality
9. Upgrade When Appropriate
10. Proof Read



These Top 10 Tips will ensure your business stands out on top business-for-sale marketing platforms

Step 5: What Do I Do With Offers?

1. Screen buyers for...

- Experience (esp. if seller financing involved)
- Rapport (esp. if seller financing involved)
- Competitor/confidentiality risks

2. Show the business

- Ensure business is appropriately prepared for sale (see Step #1)
- Ensure showing doesn't interfere with daily operations
- Manage confidentiality

3. "Sell" the business

- Provide solid financial records (at least 3 years)
- Share plan for continued growth/future opportunities
- Focus on the positive; i.e., highlight the strengths!
- Remember: The buyer is looking at other businesses, too!

Step 6: How Do I Close the Deal?

1. Get buyer to the table

- Complete due diligence
- Ensure the buyer prepared and qualified to close
- Help buyer secure financing

2. Negotiate the terms

- Price and contract terms
- Financing terms; esp. re seller financing
- Ongoing relationship; e.g., consulting/training fr
- Set up the buyer to succeed (esp. if seller financing involved)

3. Close the deal

- Execute a Business Sale Agreement
- Finalize loan note/ongoing payments (if relevant)

4. Stay involved

- Depending on terms of deal and seller financing this may be critical to long-term success of sale...and your ultimate rewards!

