

Things a seller should know

Introduction

The decision to sell a small or medium-sized business represents one of the most important decisions in your life, as your business embodies the investments and the rewards for years of hard work. You want the sale of your business to be concluded at the highest possible price.

Before you make such a decision, you must have thought or even better have found the answers to the following questions:

- ⇒ What is the ideal time to sell my business?
- ⇒ Am I prepared for the sale?
- ⇒ What is the procedure for selling my business?
- ⇒ Are there any tax or legal issues that arise in the sale transaction?
- ⇒ How much is my business worth?
- ⇒ How am I going to promote and market the sale of my business?
- ⇒ What are buyers looking for? What are their motives?
- ⇒ Am I willing to “finance” the transaction?
- ⇒ Am I prepared to accept an audit of my business by the prospective buyers?
- ⇒ Do I know what services a business broker can offer me? How can I be sure that the business broker will do a better job than me trying on my own to sell my business?



It is worth knowing:

- The procedure of selling a business is time consuming and requires a substantial portion of your personal commitment, if you do not intend to use a business broker to this end.
- You should not occupy yourself with the business sale transaction at the expense of running your business.
- Most of the times when a business owner sells his business on his own he gets a lower price than he would if the transaction had been concluded through a business broker.
- Business owners, who set the asking price at high levels, aiming at reducing it during the negotiations, alienate a significant number of serious and qualified buyers.



How will I find the right business broker?

Business brokers bring together prospective sellers and buyers of small and medium-sized businesses and help them become partners instead of adversaries. Clients benefit from the fact that business brokers know what worries both parties in the transaction. Moreover, the business owners – sellers continue to run their business without being disrupted.

Business brokers know the factors that should be taken into consideration when determining the value of a business, are emotionally detached from the transaction, can devote the means and time to search for the qualified buyers, coordinate the whole transaction procedure and know how to promote the business sale.

How will you find a good business broker? Some of the key questions that you should consider when making your choice of business broker are:

- Does he have the required professional experience and academic background?
- Does he have basic knowledge of accounting and commercial law issues?
- Is he a certified member of an internationally reputable professional association?
- What means is he going to use to promote the business sale?
- What steps does he take to ensure the confidentiality regarding my business being for sale?
- What are his fees for representing the business for sale?

The fact of the planned business sale should not be revealed to employees, suppliers, clients and creditors or competitors, unless the timing is right. For this reason, sellers should be very cautious when choosing their business broker.



Getting prepared for the sale of the business

The decision to sell should be made well in advance of the actual transaction and you should not wait till you are forced to sell.

The professional presentation of your business, that will meet the buyers' needs and wants, requires proper preparation. This preparation may prove lengthy and time consuming, but it certainly expedites the closing of the deal.

The financial records and statutory books of the business should accurately picture its financial position. The financial statements should report all revenues and expenses of the business and a fair value of the assets. Also, if possible a tax audit should be performed so as to limit the possibility of future tax obligations. The prospective buyer will conduct a legal and financial due diligence on the business and the seller should make available the relevant documents for review.

Your accounting, tax and legal advisors should assist you with the preparation and gathering of these documents. The business broker will coordinate this team of advisors and will guide the advisors through all steps of the transaction.

Apart from the above-mentioned data you should be open to disclose to the interested buyer any information that helps in understanding the business (e.g. industry data etc.).

Preparation in order to understand and face the buyer

The buyer and the seller do not necessarily speak the same language. Their interests tend to be polarized. The buyer is the potential entrepreneur who is interested in the future profitability of the business. The seller wants to be rewarded for the time, money and energy he has devoted into his business.

It is essential that you are honest in your discussions with the prospective buyers. You will gain time and their trust. You should not let unpleasant surprises for later on.

Buyers are usually suspicious about the seller or the information provided. They would ask the same questions as you would in a similar situation: What are the prospects of the business? What are the risks? What is the true reason behind your wish to sell? Are there any hidden liabilities?

The buyers will not accept any price the seller will ask for. They will evaluate if the asking price is fair. Also, the buyers do not want to waste their time discussing with owners who are not really serious about selling their business. And there are many ways to find this out: from the reputation of the business broker involved in the transaction to the way the business is being promoted.

In the meantime, you should be able to evaluate the prospective buyer yourself and ensure that he is serious, motivated, capable of paying the price and that he has the management skills necessary to run the business.

The more time spent on discussions the less likely it is that the transaction will be concluded.

You should remember that despite the fact that your company may be special and unique it is not the only one available for sale.

The interested buyer must be convinced that your business is the best business opportunity available for him to buy.

Both buyers and sellers should find themselves winners at the closing of the transaction.

The information contained herein is provided in the form of general guidelines and the reader should seek for professional advice on all of the issues discussed. Synapsis Limited has no responsibility or liability regarding actions that were taken or ceased as a result of information presented herein.