

Deciding Whether to Sell Your Business in 3 Steps



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The proverbial blood, sweat and tears. Money, time and heart. You've poured them all into your business, so rarely does the decision about whether and when to sell your business come easily. After all, there are personal, financial and emotional elements involved, not to mention the employees relying on your business for their livelihoods.

Experience is the best teacher, meaning in this case that talking to business owners who have been in your shoes can help you come to the best decision—one that supports your best interests, future goals and legacy.

Apex Business Advisors are former business owners, and now we work with others who are ready to sell their businesses and move on to what's next, from embarking on their next business venture to enjoying retirement. What we have learned over the years as business owners and advisors is that the decision to sell your business can be made in three steps.

Step 1: *Identify Your Reason for Selling*

There is a motivation for every decision you make. Motivation drives action. This applies to most everything you do, from the mundane, like what is for dinner to the important, like whether to sell your business.

Doug Hubler, president, Apex Business Advisors, says, "I've heard all kinds of rationale in my years of asking business owners, 'Why are you selling your business?' Namely, there are three reasons. Retirement, health issues and simply being ready to move on. Each is legitimate, and can be an attractive opportunity to buyers."

The most common reason owners sell their business is retirement. Retirement rarely raises a red flag in buyers' minds, recognizing it as a natural step in life. A flat period oftentimes precedes the owner's retirement due to lack of inclination and/or energy to grow the business, yet it continues to remain profitable. This could be a good opportunity for a buyer who is looking for a business with growth opportunity.

The next reason is serious health problems on the owner's part, and he or she has no obvious successor. Depending on the situation, there may be a need to expedite the sale, requiring a higher level of flexibility with potential buyers. In this scenario, it's critical for the business to be positioned for sale with little to no reliance on the current owner.

And, last but not least, the owner is just burned out and wishes to move on to whatever is next – be it another business, industry, job opportunity or semi-retirement. Similar to a corporate employee getting burned out in a job, the same can happen with a business owner. The owner can spend some time with a potential buyer as to why they have gotten to that point and a buyer will look for growth opportunities that the current owner doesn't have the desire to pursue. Sometimes the owner wants to alleviate ownership burdens associated with sales or human resources, or would prefer to be an employee.

What is your motivation?

There is a story behind why you started your business. When it comes time to sell, creating your selling narrative helps narrow down your motivation. More importantly, it can help you stay focused on the "why" of selling your business, which acts as your North Star as you navigate the financial and emotional moments you encounter in the process.

Why are you selling your business?

Common responses include:

- 1. Retirement**
- 2. Health Issues**
- 3. Owner Burnout**

Step 2: Start a Conversation with a Qualified Business Broker

One of the wisest business principles is to surround yourself with smart, experienced people and trust them to put their expertise to work for your company's benefit.

Using a business broker to sell your business is a prudent direction to make sure your financial best interests – and your legacy – are put first and foremost. Before placing your business assets in any business broker's hands, you must make certain that the broker is the right one for you.

While the importance of your "comfort level" with a business broker cannot be overestimated, that is a gut feeling you will determine after a meeting. But also, your broker should be a professional in the field.

Your business broker should carry specific insurance.

A business broker should carry errors and omissions insurance. Errors and omissions insurance (E&O) is a type of professional liability insurance that protects companies, their workers and other professionals against claims of inadequate work or negligent actions.

Many brokers don't bother with E&O insurance, and that's a risk to their brokerage business and their clients.

Your business brokerage should belong to associations or trade groups.

It's important for any business to participate in their industry associations. A business brokerage is no different. Education, training and keeping up on both laws and industry trends is an important component of making sure your broker is dedicated to excellence.

Trade associations also provide a framework to follow for professional accountability and ethics. In general, a business broker who is dedicated to these activities will be better at what they do, resulting in a more professional broker representing your business sale.

Your broker should offer an exclusive listing agreement.

To get a business broker dedicated to your transaction, you should expect an exclusive agreement with your broker, so one broker is marketing your business. If many brokers are involved in the sale of your business, you may expand the potential network of buyers, but there is typically less control and more likelihood that word gets out that your specific business is for sale. Typically, brokers operate on a one-year agreement since businesses can take some time to finalize a sales transaction.

"I can highly recommend Apex Business Advisors to anyone selling a business. Merrill Staton, my Apex advisor, worked diligently with me from our first appointment through closing to accurately describe and explain our business to prospective buyers. A great deal of interest was generated even though our country was dealing with the pandemic and an election year. Meetings with prospective buyers were held in person, by phone and through Zoom. Merrill and the Apex team were professional, caring and attentive throughout the selling process."

Andy Brown, business seller



Is There Really That Big of a Difference Between Business Brokerages?

There are many different kinds of business brokerages, and differences among them are likely to surface early. A broker's buyer network is an important consideration – the bigger the better since it represents a larger audience to which your business will be marketed.

The number of brokers in the office can magnify your broker's ability to make sure your business is visible. You should also look at the broker's history, education and certification. Plus, were they business owners before becoming a broker? If so, chances are that your broker will better understand your perspective and be better equipped to value your business.

Finally, your business broker should include a network of professionals (legal, banking, accounting) to help both buyer and seller of the business get a deal done without relying on you to find and make those connections.

At the end of the day, you should find a broker you're confident will get the best price possible and help put together an exit or succession plan.

Get more answers to the most common questions about selling via a brokerage.

Download our "Selling Your Business: We've Been in Your Shoes" Guide.

DOWNLOAD NOW

kcapex.com/business-for-sale-overview

Step 3: Determine Whether Right Now is the Right Time to Sell

Merger and acquisition activity dropped in 2020 amid the coronavirus pandemic, but rebounded in the last quarter of the year. In 2021, the appetite for buying and selling businesses is strong, leading many business owners to weigh their options.

Deal activity has continued at a steady clip this year, building on the resurgence that began after the first wave of the COVID-19 pandemic. Companies continue to explore acquisitions, divestitures and other transactions, as company valuations remain high and a seller's market endures.

A Look at the Current Landscape

200 million

Businesses in operation globally

40%

Businesses that are undercapitalized

*In 2016-2020, U.S. deal value averaged about \$1.8 trillion annually.
Through May of 2021, annual deal value had already hit \$1.4 trillion.*

Is It Time to Sell Your Business?

Why the time might be right to sell your business:

- Capital gains taxes potentially increasing
- Private equity has plenty of cash available for M&A deals
- Many buyers are in the market looking for deals and to capitalize on increased activity
- Interest rates are low and are expected to remain so for the foreseeable future

Why you may want to wait to sell your business:

- Your business was hit hard by the pandemic and hasn't recovered, which could result in longer due diligence for the buyer to investigate your financials from during and before the pandemic
- Your business is having a hard time hiring employees, which could lower the valuation and/or lead to less favorable terms

Remember:

Every business offers a unique selling proposition in the marketplace, so it's critical to determine yours when deciding if the time is right to list your business for sale.



Case Study:

A Plan to Buy, Grow and Sell Comes Together

Stellar Service Key to Growth and Business Value Enhancement

Christine Robinson had long thought that companies in the service industry too often overlooked one thing: service. Phone calls not returned, late to show up for appointments, bid prices not honored.

So, when Christine and her husband, Bob, bought All Care Sweeping, a parking lot cleaning business in 2005, they were determined not to emulate those lax business practices. "We tried to be just the opposite," Christine says.

All Care Sweeping became a company that kept its appointments, kept its word and was a stickler for customer satisfaction. Christine made daily visits to customer sites to see that every food wrapper, cigarette butt and soda bottle was gone. Christine believes their reputation for service was the key to tripling revenues in five years.

The number of properties All Care Sweeping cleaned across the Kansas City metro area grew to 300, mostly retail shopping centers. The company went from 10 employees to 25. The couple's background in finance and accounting, along with a strong work ethic, fueled the company's growth.

"I'm a people pleaser and I think that's perfect for this industry," Christine says. "Bob and I grew up in hard working families and we learned early on that going the extra mile was a key to success in anything."



Family First

The Robinsons truly started with the end in mind, buying the business with a five-year horizon for improving and reorganizing it. By the fifth year in 2009, their three children were in elementary school. The kids needed more help with homework, transportation and extracurricular activities.

"We felt it was time to make sure we were available for some of the busiest and most developmentally important years of our family," said Christine.

The time had come to explore selling at least part of the business. Christine called Doug Hubler, president at Apex Business Advisors. Apex had helped the Robinsons buy the company in 2005 and they knew from that experience that Apex had a similar dedication to service and professionalism.

For their next transaction, the Robinsons were looking for someone to buy the company and still allow them to be involved. The Robinsons provided Apex with all of the information necessary to put All Care on the market, including three years of the company's financials.

Doug and the Apex team took over from there in confidentially marketing All Care and scouting for qualified buyers.

"Doug's creativity and expertise really made this happen," Christine said. "It was a very difficult time for banks and he helped us design a transaction that a bank could underwrite. He also resolved many issues that came up during negotiations. He made it simple and easy for us."

Leadership Continues

Over nine months, during a period of recession and tough lending standards, Apex brought the Robinsons several financially-capable buyers. Since the couple wanted to maintain some involvement and serve a management role in the company, the buyers had to be a good personal fit.

In the end, the Robinsons were delighted to find a buyer who they could work with not only in fulfilling the transaction, but also in the ongoing operation of All Care. Christine remains active with the company in quality control and customer relations. The ongoing connection to customers and their needs are also what she enjoys most.

"Letting go for any business owner is tough," she said. "But, Apex helped us develop a transition plan and we stuck to it."

Christine's balance sheet now tips delightfully toward the family side of her life. She relishes time with her children, and the whole family has taken up golf. Christine even has time to practice and play. Selling the business has allowed Christine to be an everyday part of her kids' lives to an extent not previously possible.

"It's spectacular," she said. "We still work hard, but we have more family time and freedom to explore new hobbies and fun opportunities."

"Letting go for any business owner is tough, but Apex helped us develop a plan and we stuck to it."

Christine Robinson



About Apex Business Advisors

At this stage, whether your heart is set on selling your business or you are just considering your options, it's a good idea to talk to our experienced staff.

Let's discuss maximizing value and developing your exit strategy soon or down the road. We both have the same goal: to get you the largest return on investment while minimizing your company's time on the market. In one free, no-obligation meeting with an Apex Business Advisor, you'll be able to determine if now is the right time to sell your business.



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