

## **Do's and Don'ts of Selling Your Business**

**Do consult a knowledgeable business broker** about the value of your business.

**Do use a professional Business Broker to sell your business.** Your business Broker should belong to a professional organization such as the IBBA (International Business Brokers Association). These organizations have established professional ethics and rules for their members as well as training for Business Broker members to ensure they are knowledgeable, well qualified, and observe the highest professional ethics.

**Do keep good records** and have them ready. A good set of books can significantly increase the chances of a successful and profitable sale and will speed the buyer's due diligence process.

**Do allow sufficient time to sell** your business. Selling a business is much more difficult and complex than selling a house. The time your business is on the market will depend upon the current market, the type, and size of your business. While some businesses sell quickly, you should expect up to six months and allow up to a year to complete a sale.

**Do offer terms.** Smart buyers (the kind you want) know that most businesses sell with terms and some type of financing. Discuss deal structures and financing terms with your VR Associate.

**Do run the business as usual or better.** It is vital that your business continue to operate as usual and continues to produce the financial results shown in the business profile. If your performance slips, it will turn up during Due Diligence and either kill the deal or affect your selling price.

**Do support your broker.** Your broker will need your help to sell your business. Your support during buyer meetings, negotiations, Due Diligence, and escrow is absolutely essential to closing the deal. It is equally important to respond quickly to inquires, offers, and with paperwork – remember, time kills deals.

**Don't wait too long to sell.** The best time to sell is when business is good. Don't wait until a downturn or personal reasons force you to sell at the wrong time. Sell your business when it is performing well and sell from strength.

**Don't underestimate the value of your business.** Owners usually minimize profits to lower taxes, and the "bottom line" might not show the real value of your business. Your professional Business Broker can recast your financials to determine the real value of your business.

**Don't overprice your business.** Under-pricing will cost you money; overpricing will cost you the sale. The "I can always come down in price" attitude sounds good, but it eliminates the best buyers, your business stays on the market too long and you lose valuable time. Start at a reasonable price. Smart buyers know what a business should sell for and will pass up overpriced opportunities to focus on more reasonable ones.

**Don't sell to the wrong buyer.** Your competitor, supplier, or favorite employee may not be the best or right buyer, and may not be willing to pay the best price.

**Don't allow early possession** eager buyers will often ask if they can take over early. While this may be tempting to an eager seller, the result is nearly always a problem and sometimes can actually kill a deal. Do not allow possession or control of the business to occur until the after the close of escrow.

**Don't agree to an "earn out"** in some cases buyers or even a buyer's broker may recommend an "earn out" to plug a gap in the price difference between buyer and seller during negotiations. Earn outs are a bonus paid to the seller based on the business achieving specific financial goals. While earn outs sound good to everyone during negotiations, they often turn into problems for the seller down the road when it is time to collect since disagreements can arise over the figures or even the buyer's performance.