

# How to Sell a Business

**How to Sell a Business** -KR's professionals will educate and assist you at every step of the process in selling your small business confidentially. Read more about how *selling a small business* from the links below.

## ➔ Why Sell a Business in Washington?

[Click here if you're wondering . . .](#)

- Why would I want to sell my business?
- What's my small business for sell really worth?
- Why should I use a *Washington business broker*?
- Other [Washington small businesses for sell](#)?

## ➔ Key Considerations in Selling a Small Business

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- What kind of offer can I expect for my business?
- What do buyers look for?
- How do I prepare for the sale of my business?
- Steps to *Sell a Business in Washington*

## ➔ Steps to Sell a Business in Washington

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- How do I go about *selling a small business*?

# Small Business for Sale

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## Why Would I Want to Sell a Business?

At one time or another, most business owners consider *selling their businesses or franchise* for such reasons as these—

### ➔ Under Capitalized

You've taken the business as far as you can, and it will require a significant capital infusion to take the business to the next level.

### ➔ Dispute with Partners, or Divorce

One or more partners wants to be "cashed out," or a partner has lost his or her interest because of divorce or a dispute.

### ➔ Death or Illness

An owner or partner has suffered death or a serious illness, and his or her interest needs to be cashed out to cover expenses or to settle the estate.

### →Relocation

Some other event necessitates a major move that will prevent you from continuing with the business.

### →Burnout

Even the best of businesses can drain our energy. Often, owners are tired of handling the day-to-day responsibilities, managing employees, or keeping the books.

### →Upgrading to a Bigger Business

Successful owners often sell their current business to step up to a bigger opportunity.

### →Poor Management

Small business owners must wear many hats, and rarely are they master of all aspects of their business. Sometimes owners need to get out of the business because they have taken on a business that does not fit well with their skills and abilities.

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## What Is My Business Worth?

The value of your business is determined by many factors. KR Business Brokers will provide free consultation to give you a “broker’s opinion of value” based on such factors as these—

### →Tangible Assets

Such tangible assets as inventory, furniture, fixtures, equipment, and receivables all factor into the value of your business.

### →Intangible Assets

Intangible assets like time in business, established customer base, training, non-compete agreements, exclusive markets, established suppliers, and expected growth potential all add value to the business.

### →Lease Agreement

The terms and transferability of the existing lease agreements can be a critical factor in selling your business. Favorable terms and easy transfer increase the price, whereas unfavorable terms or inability to transfer (or, worse, requirement to move the business) may greatly reduce the value and price of the business.

### →Quantity and Quality of the Income Stream

The key factors of sales, gross profit margins, cash flow, quality of records, retention of key management, and positive business trends all help support a greater value.

### →Risk Vs. Price

Risk factors are evaluated and considered. Higher risk for the buyer usually results in a lower selling price, and lower risk for the buyer usually results in a higher selling price. The greater the chance of your business

continuing and growing without you, the greater the value to the buyer.

### → **Market Comparables**

Recent sales of other businesses in your market are considered. Local and national economic conditions are evaluated along with many other factors.

At KR Business Brokers, we will evaluate all these and many other factors at no cost to you and help you arrive at the right sales price. For most *small businesses for sale*, the value can be estimated at two to three times the annual discretionary cash flow of the business. Our brokers have received specific training and use sophisticated tools and analysis to establish the value of your business.

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## Why Use KR Business Brokers?

### → **Knowledge and Experience**

Our experience can shorten the selling process and bring you a higher price. Private business owners operate their businesses to minimize taxes. We know how to present the true benefits of your business.

### → **Free Consultation**

In a no-cost, no-obligation consultation with you, we take into account cash flow, assets, financial history, current conditions, markets, competition, business location and the economy (among other factors) to determine a broker's opinion of value.

### → **Why not use a real estate broker?**

A business sale is very different from a real estate sale. Most real estate agents do not have the training, experience, or understanding to value or sell your business the right way. Consider some of the differences—

The *sale of a small business* is characterized by:

- ▶ **a confidential process**
- ▶ **value based on cash flow**
- ▶ **few comparables available**
- ▶ **a complex transaction**

On the other hand, a real estate sale is characterized by:

- ▶ **a public process**
- ▶ **value based on real property**
- ▶ **many comparables available**
- ▶ **a simple process**

Would-be business sellers are often reminded that if they wanted a "FOR SALE" sign posted out front and their financial statements posted in the window and published on the Multiple Listing Service, then a real estate agent would work just fine! If you want to keep the sale of your business confidential while still maximizing your exposure to potential buyers, then

see a business broker. KR Business Brokers specializes in business sales and in real estate sales that are associated with business sales.

#### → **Why not sell it yourself?**

Because you're at a disadvantage. It takes owners several years to successfully sell their businesses on their own and often at a drastically lower price than could have been achieved. In addition, the distraction of selling their business on their own actually causes the value of the business to drop as the owner is distracted from the day-to-day operations. You as the owner should focus on what you do best—running your business. Let us focus on selling your business. We do the analysis to show you what your business is worth; we prepare the business presentations to show prospective buyers; we advertise and market your business to buyers and qualify them before interrupting your work. Our professional efforts allow you to continue to grow your business and maximize its value.

#### → **Confidentiality**

One of the big benefits of using a business broker is confidentiality. Most business owners do not want their employees, competitors, suppliers, or customers to know they are considering selling, as such knowledge could damage their ongoing business. KR Business Brokers maintains confidentiality so your business can move forward without interruptions.

#### → **Time**

Most owners who sell their own businesses take several years to find a buyer. Selling a business is a grueling, competitive ordeal that can be a big distraction. We take away that burden and shorten the process.

#### → **Documentation, Marketing, and Exposure**

We prepare all the marketing materials to be released only under a confidentiality agreement to qualified buyers. We advertise locally and nationally, both in print and on the World-Wide Web in a confidential, generic manner. Your listing will be posted not only on KR Business Brokers' web site but also on several other national sites, such as Businessesforsale, BizBuySell, Businessbroker, IBBA, Commercial Brokers Association and others.

#### → **Qualifying**

KR Business Brokers will match qualified buyers to your business. Your business will typically be shown to about fifty potential buyers. Then five to ten of those buyers look closely at the business, and one or two of them make offers. We can help ensure that these buyers are capable of completing the transaction—before interrupting you in the operation of your business.

#### → **Negotiation and Follow-up**

KR Business Brokers can help structure the deal and get the right offer for you. As an intermediary, we aggressively pursue the buyer without compromising your negotiating position. Selling your business is our only business.

### ➔Success!

We bring our expertise and experience to work on your behalf. We have walked in your shoes and owned and bought and sold our own businesses. We know what it takes and how to get the job done the right way.

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## Small Businesses for Sale

### Key Considerations in Selling your Small Business

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#### What Kind of Offer Can I Expect?

Most small businesses sell for between 80%-100% of the asking price, with a few selling for greater than the asking price. You can get the highest price in the shortest timeframe by offering Seller financing for up 80% of the purchase price. Doing so also shows the buyer you have confidence in the future of your business. However, over 50% of the *small businesses for sale* KR has sold, sold for 100% cash to the seller. This is because KR is the only business brokerage in the state that actively assists the Buyer in preparing and submitting bank applications, business plans and projections. Not every business is "Bankable." When you meet with one of our associates, discuss with them the options you have given the unique nature of your business.

The offer will more than likely have several contingencies for such things as verification of accounts and records, transferability of the lease, and verification and release of liens. You should expect a training period to assist the new owner as well as a non-compete agreement for a period of time. KR Business Brokers will help you understand all offers and help you remove the contingencies.

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#### What Do Buyers Look For in a Small Business?

Most buyers look for the following factors:

##### ➔Provable Books and Records

A buyer's offer and future cash flows depend on the accuracy and honesty of your records. Buyers look to prove that your historical numbers accurately reflect your business.

##### ➔Reasonable Price and Terms

Ultimately, buyers of *small businesses for sale* are looking for three things from the future cash flows of the business they are buying: (1) an adequate living wage, given the required skills and experience of the owner, (2) the

ability to make the debt payments, and (3) a reasonable return on the money they are investing. Generally, if the selling price supports these three elements, you will have a successful sale.

#### ➔ **Leverage**

Buyers do not generally want to pay 100% cash. They expect to pay 20% to 30% down and to finance the balance, either from the Seller or through a bank. Sellers can carry back a portion of the sales price to show the buyer they have confidence in the business and generally will receive a higher price and sell their business quicker than Sellers that ask 100% cash. KR is the only brokerage in the state that actively assists buyers in securing bank financing for a majority of our deals, enabling us to reach more buyers for your business and you to cash out completely, should that be your choice.

#### ➔ **Furniture, Fixtures, and Equipment**

A buyer expects to get all the assets needed to sustain the business, in good working order and unencumbered.

#### ➔ **Lease, Training, and Non-Compete**

The new buyer usually expects to continue the business in its present location and must be able to assume or sign a new lease with the landlord. The buyer will expect you to provide training and consulting for a period of time and to sign a reasonable non-compete agreement.

#### ➔ **Motivation**

A buyer seeks to understand the reason an owner is selling as a way to discover any “landmines” and to be sure that the owner is not hiding anything.

#### ➔ **Time Is of the Essence**

A serious buyer wants to move as quickly as possible, so you must respond to the buyer in a timely fashion. Once an offer has been accepted, it is key to work with all due haste to remove the contingencies, provide needed information, and move to complete the transaction.

#### ➔ **No Surprises!**

We can help the buyer deal with almost any situation, as long as it is disclosed up front. Surprises—not bad news—kill deals. Surprises raise questions in the buyer’s mind and destroys trust. Disclosure up front establishes a relationship of trust and honesty. Don’t hide key facts from your broker or buyer. Some typical surprises that have killed deals include; financial statements that are unsupported by actual tax returns, unpaid taxes, hostile landlords, poor leases, unpaid and undisclosed loans, zoning changes, loss of key employees, and health and safety issues. Disclose! Disclose! Disclose!

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## **How Do I Prepare My Small Business For Sale?**

### ➔ **When preparing your business for sale, do—**

- ▣ Keep good records
- ▣ Allow sufficient time for the sale

- ▣ Accept terms
- ▣ Disclose, disclose, disclose
- ▣ Use a knowledgeable business broker
- ▣ Seek legal and accounting advice
- ▣ Ensure key employees will continue
- ▣ Continue to operate and grow your business
- ▣ Plan to train the new owner
- ▣ Plan to sign a non-compete agreement

→**At the same time, don't—**

- ▣ Underestimate the value of your business
- ▣ Wait too long
- ▣ Overprice
- ▣ Be rigid on terms
- ▣ Stop growing your business

## Washington Business for Sale

### Steps to marketing your *Washington business for sale*

*Selling a business* follows a definite path to success. Here's a 12-step roadmap of the key elements of a successful sale—

#### **1. Commitment**

*Selling a business* is serious business for all involved. You must have the mental commitment to offer a fair price and to accept reasonable terms consistent with the marketplace.

#### **2. Selecting Your Professional Team**

In addition to selecting a qualified/*certified business broker* such as KR Business Brokers, we strongly advise you to seek competent legal counsel as well as tax and accounting advice. If do not have your own advisors, we can provide you with a list of several whom other sellers have successfully used in the past.

#### **3. Determining Value—Selecting the Sales Price**

KR Business Brokers' professionals will prepare a broker's opinion of value and will explain to you the elements that come into play in valuing a *Utah business for sale*. They will help you understand the possible price you might receive for your business, and ultimately you will set a sales price that assures a reasonable chance of selling your *business for sale in Washington*.

#### **4. Transition Plan**

Understanding the possible structure of a deal is crucial. The terms are affected by how much cash is required, minimization of the effect of taxes, continuity of key employees, and many other considerations. We will help you understand what to expect.

#### **5. Documentation and Marketing Strategy**

You must provide financial statements and other information about your *business for sale in Washington*. KR Business Brokers will prepare a confidential profile and comprehensive marketing package for qualified buyers. Preparation of this

package includes recasting your financial statements to show the real cash flows after removing the owner's discretionary items. Then we extensively advertise your business locally and nationally, in print as well as on the World-Wide Web. Advertising is done in a generic, confidential manner that does not reveal the name or location of your business. No details of your *business for sale in Washington* are released without your approval.

#### **6. Screening of Buyers and Confidential Introductions**

KR Business Brokers screens all buyer inquiries and weeds out the tire kickers and time wasters. This allows you to stay focused on your business. Qualified buyers will then sign a confidentiality agreement before being given any specific information about your *business for sale in Washington*. More information is given to them as they narrow their search and show greater interest. Finally, buyers complete a detailed buyer profile that ensures they have the financial ability to complete the transaction, before they are given the complete marketing package on your business.

#### **7. Showing the Business and Meeting the Buyer**

We will arrange for the buyer to visit you and your *Washington business for sale* so that we can walk them through the facilities to view the operation firsthand. This visit will be done at a convenient time for you. You should never meet the buyer alone. We're there to act as your intermediary and are experienced at positioning your business and at handling difficult questions. Many a deal has died by an overeager seller meeting alone with an aggressive buyer. We will review with you a list of dos and don'ts before any meeting takes place.

#### **8. Receiving the Offer to Purchase**

We work with the buyer to obtain a written offer. We represent your interests and explain your position. Most offers will have some contingencies. We will work to see that they have a time limit and are reasonable. When the offer is complete, we will present it to you and explain the reasoning of the buyer. We help you understand the buyer's background and abilities so you can make good decision.

#### **9. Negotiation and Acceptance**

We continue to work with you and your advisors to reach terms that are acceptable to both parties. As your business broker, we can add great value during this negotiating process. We will prove beneficial by helping to select alternatives and working to complete the deal. Once the offer is accepted, then it becomes a purchase and sale agreement, with contingencies.

#### **10. Due Diligence and Contingency Removal**

Now begins the in-depth inspection of your accounts and records. Agreement for the lease to be assigned, public-records searches, and verification of assumable loans and trade agreements occur. When all the contingencies have been removed, the purchase and sale agreement is binding. It is important to work quickly to provide the buyer with everything needed to remove the contingencies. Time can work against you, and a buyer can go cold if too much time passes.

#### **11. Open Escrow**

The purchase and sale agreement and all other documents relating to the sale are turned over to a neutral third-party escrow attorney. The attorney prepares all the closing papers; performs lien searches; and prorates rents, deposits, taxes, and other items to the closing date. The attorney also makes sure all secured creditors are satisfied and ensures that all other security agreements and related documents are completed. Final arrangements for the payoff or assumption of all notes and leases are made. Your advisors and the buyer's advisors review all these arrangements until all parties are satisfied. The costs for the escrow attorney are minimal and are shared equally between the buyer and seller.

#### **12. Inventory and Closing**

Final inventory is taken. Old notes are paid off or assumed; and new notes, agreements, and bills of sale are signed. Then it is celebration time!