

THREE QUESTIONS EVERY BUSINESS OWNER SHOULD ASK BEFORE SELLING THE BUSINESS

Sooner or later, every business owner faces the question of whether or not to sell the business. If you own a business, here are three key questions to ask yourself before considering a sale:

1. WHAT ARE YOUR GOALS?

Every party to a transaction is trying to reach a goal, and that goal should be identified and prioritized before agreeing to any sale terms; you cannot know what to negotiate for if you have not yet determined what you need.

Some business owners seek to maximize profit and minimize taxes. Others are focused on maintaining the company location, culture and legacy for years to come. Still, others have a benevolent calling and want a portion of what they receive in a transaction to go to a charity or foundation.

Most business owners are trying to accomplish a combination of these and other goals and their relative weight and priority can change over time. There are steps, and in some cases time-sensitive ones, that can be taken from a legal and tax perspective prior to embarking on the sale process that can help you best accomplish your objectives.

Identifying the goals of the sale as early as possible in the process allows your team of advisors to help you achieve your objectives most efficiently.

2. WHO IS THE BUYER?

The seller is not the only one with goals, of course. Finding the right buyer, whose goals will best complement your own, is an important strategy to achieve your objectives.

Most often business buyers include family members, employees, strategic buyers, and financial buyers. If the business is being sold to one or more employees, often those employees may have the institutional knowledge to run the business, but they may not have the funds to pay top dollar at closing for the company, which may necessitate a large amount of seller financing and result in a deferred realization of the value of your business.

A sale to a family member can involve even more factors, such as family dynamics, the support (or lack thereof) from non-family employees and long-term succession and tax planning strategies to benefit both the buying and selling family members.

A strategic buyer, however, is often a competitor, vendor, or customer who sees the value of adding your business to their portfolio. Strategic buyers are often better capitalized, but they bring their own challenges to the table, such as protection of confidential information during due diligence and integrating two business cultures.

A financial buyer typically has a focused goal to obtain a financial return on their investment, but they typically can't pay as much as a strategic buyer.

Finding the right balance of your goals and those of your buyer can be a daunting task, but the sooner in the process you identify your goals, the easier it will be to find that balance.

3. WHO IS ON YOUR TEAM?

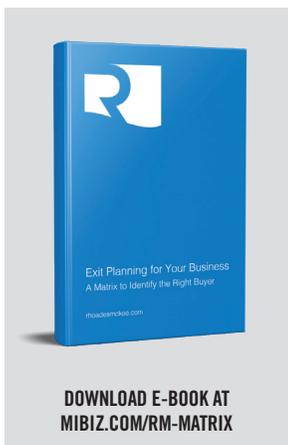
It is critical for a business owner to have the right team in place when selling a business. A business owner should identify and engage a team of



professionals who have experience and expertise in buying and selling businesses. The typical seller's team may include a CPA, a broker or investment banker, a financial advisor and an attorney who specializes in mergers and acquisitions.

Having experienced advisors is critical to a successful sale. One of the biggest mistakes a business owner can make when selling their business is using advisors with little or no mergers and acquisitions experience.

A good team's experience and expertise will help you evaluate your goals, devise transaction strategies to achieve them, and help you to efficiently execute those strategies to a successful closing, minimizing your risk and maximizing the return on the value you have built in your business. Assembling an experienced team is the best investment you can make to realize your transaction goals.



GET STARTED WITH THE RIGHT TOOLS

To help you identify your goals and the right buyer, The Rhoades McKee M&A Team has developed a Matrix to walk you through the key factors and identify the best buyer to complement your business goals. Visit mibiz.com/rm-matrix to download it today.

