

# 7 Ways to Get TOP DOLLAR When You Sell Your Business

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I've taken the unprecedented step of inviting you into the inner sanctum of business brokering to discover "7 Ways to Get TOP DOLLAR When You Sell Your Business".

I'm doing this for two reasons:

- Naturally, if you *are* thinking of selling your business, I'd like to handle the sale; but more importantly,
- I've seen too many business owners do themselves a grave disservice by making some fundamental and sometimes very expensive or even catastrophic mistakes before and during the process of selling their business.

What I am about to share with you I've learnt from 14 years as a business broker.

If you act on what I'm about to share with you, the sale of your business is destined to be a tremendous success . . .

So, here are the top 7 Strategies:

## ***Strategy 1: Plan appropriately for the sale***

Many business owners make the decision to sell their business when they are tired, run down, or "sick of it", without giving sufficient thought to planning and strategy.

Planning an effective business sale strategy in advance can have a profound impact on the speed of a business sale as well as the price paid.

Some critical areas to consider are:

- How easy is it to run your business?
- Do you have documented systems and procedures?
- How much of the business knowledge is in your head and not written down?
- Do you have documented price and margin policies?
- Do your employees have written job descriptions?
- Do you keep accurate and complete records?
- Do you have an electronic database of customers?
- Do you have a marketing plan?
- Do you take cash out of the business?

These are just a few of the issues you should consider discussing with your broker when developing your business sale strategy.

At Wollermanns, we can help you effectively implement a simple, but effective business sales strategy specially designed to make your business more appealing to prospective buyers.

This ensures you get maximum value for your business.

### ***Strategy 2: STOP taking cash out of the business***

Many business owners play the CASH GAME in their business. They continually look for creative ways of secreting cash out of their business. The challenge is, it's a DOUBLE EDGED SWORD.

Whilst you might save paying tax on the cash, you are equally diminishing the sale value of your business.

You see, businesses are priced according to their verifiable financial accounts – which, obviously,

*If you take \$100,000 in cash out of your business each year (understating your profit by the same amount), your business will be undervalued by \$300,000 if it was sold on a multiple of 3 x EBIT.*

don't include cash removed from the business.

Some businesses might sell for more or less multiples, but I'm sure you get my point.

If you are considering selling, plan ahead and stop taking cash for a reasonable period so you can provide verifiable figures to support the full worth of your business.

### ***Strategy 3: Be honest and forthright with your business broker***

As a business broker, I cannot manage what I don't know.

So many times business owners fail to disclose material information about their business that it is ultimately uncovered during due-diligence causing a deal to collapse. Perhaps they believe that by remaining silent they can maximise the price they get for their business. Nothing could be further from the truth. The lost opportunity cost of a failed deal is extreme.

Your relationship with your business broker must be built on trust. Both you and your broker must be open, honest and forthright in your communications.

Because a professional business broker is skilled in managing the way information is presented and disclosed to buyers, full disclosure by the seller gives us the best opportunity to minimise the impact bad news may have on the sale.

It's important to remember that we are contractually bound to act in the seller's best interest, and required by law to act fairly to both parties.

Remember also that failing to disclose material information during the sale process, if not uncovered during due-diligence, may result in costly litigation for substantial claims damages if discovered after settlement. And that's something to be avoided at all costs.

***Strategy 4: Take the time and effort to present your Business properly***

Picture this:

“You walk into a new Mercedes Benz car dealership and the first thing you see are dead flies around the windows, dirty floors and salespeople in untidy casual clothes telling crude jokes. Desks are piled with paperwork, dirty coffee cups and lunch wrappers. The cars are dusty with dirty fingerprints all over, grease marks around the engines.”

What would your reaction be?

Your business is a PRODUCT for sale, and should be dressed, polished and presented as such. Buyers want to know they are buying a business that is organised, well run and founded on solid core values. The way you present yourself and your business is critical in making a powerful first impression statement.

Your Wollermanns broker will help guide you through the simple things you can do to make those critical first impressions count.

Some areas to consider are:

- Keep work areas and desks clean and neat
- Re-paint shabby areas – especially your public face
- Store or file excessive paperwork in offices
- If not already done, implement a neat and organised filing system
- Make sure floors and windows are kept clean
- Keep toilets and lunch rooms clean and tidy
- Consider company uniforms for your staff
- Make sure warehouse and storage areas are neat and organised
- If you have company vehicles, make sure they are clean and maintained
- Remove any girly calendars that may offend
- Keep gardens well maintained. Maybe plant a few new plants.
- Keep parking areas and hard stand areas free from weeds
- Address outstanding OH&S matters!

***Strategy 5: Only engage a reputable and professional business broker***

I know this might sound somewhat self-serving, but it's an issue very close to my heart.

Not all business brokers are the same.

I believe a business broker's relationship with you is more akin to a committed and dedicated business partner. One who will stand by you from day one, right through to settlement day. But also a partner who's not afraid to be open, honest, and tell it as it is.

A professional business broker is also a very savvy marketer and streetwise negotiator.

I pride myself on my commitment and drive to getting the very best result for you. When you engage me to market and sell your business, you are not only employing my reputation to support your sale, you also engage a personal, dedicated and professional business broker (who is supported by 20 other experienced brokers) to help you navigate the complex process of selling your business.

It's also important that you can continue to run your business without distractions. That's why one of my more time consuming roles is to shield you from the considerable noise and chatter associated with screening and pre-qualifying prospective buyers. The only potential buyers to be introduced to your business will have the desire to buy and capacity to fund the purchase.

***Strategy 6: Understand that it's not just the buyer who needs to be convinced!***

Whilst the ultimate decision maker may be the buyer, there can be several hurdles to jump during the negotiation and sales phase.

Buyers often ask the opinion of many people . . .

- family members
- friends
- accountants
- lawyers

Accountants and lawyers are traditionally risk averse, so information, financials, statistics and other data needs to be presented in a way that gives them comfort. That's why I spend considerable time creating a well crafted and concise **Business Profile and Information Memorandum** for your business. I have extensive experience presenting information about your business in the most effective and beneficial way.

The way your business presents to the public may influence the way friends and family view the business. Unfortunately, it's human nature for friends and family to want to offer an opinion when asked – even if they have no idea what you are talking about. So understand that they may drive past the business, or even “secret shop” if you have a public showroom, to get a feel for the business.

That's why part of your effective sales strategy should include focusing on the way your business presents to the general public.

***You never know who might be lurking in the shadows.***

**Strategy 7: Look at the sale transaction through the buyer's eyes.**

This is the single most important mind set you can adopt that's guaranteed to put you in the driver's seat.

Dr Chester Karrass, the world's leading authority on effective negotiating clearly points out that "in most cases the buyer is in the stronger negotiating position". As the seller, you cannot consummate the sale – it requires the buyer to act by entering into a binding contract.

The paradox of a business sale is that buyers *and* sellers actually want the same thing . . . maximum Return On Investment (ROI). Sellers want the highest price, and buyers want to pay the least possible.

So it's only natural for a buyer to make a "low-ball" opening bid. (As a side note, please don't shoot the messenger! Your broker is legally obliged to bring all offers to you.)

**WARNING: Please, please please, do not take these opening offers personally.**

It is *not* a personal attack on all your hard work and effort. Think of it as just the start of a longer conversation.

You see, unlike real estate, business purchasers generally DO NOT BUY ON EMOTION. To them, it's all about mitigating risk as much as possible. And the two most powerful drivers for a buyer are . . .

- the fear of failure; and
- the fear of losing all their money.

*An interesting experiment is to clear your mind, then take a look at your business with FRESH BUYERS EYES. Play the game of scrutinising your business without any of your knowledge and experience of the business. If you were shelling out the hard cash to buy your business, what would you do? What strategy would you adopt?*

Of course purchasers want to buy the business for the future potential but will only pay for the past performance.

Frankly, the best thing you can do is "**leave your ego at the door**" and take a balanced and pragmatic perspective when working with your broker through the negotiation phase of the sale.

It will save considerable stress and heartache, potential conflict, and lead to a positive and satisfying result for everyone involved.

Well, there you have it.

You know, 14 years of business broking has taught me many lessons – but there is always one underlying tenet:

**“there is no substitute for integrity, honesty, and experience in this business”**

I love what we do and I am passionate about helping you achieve your business sales goal. I am genuinely committed to helping you get the very best result from your business sale in the shortest possible time.

So when you are considering selling your business, call me for a preliminary and confidential chat about your plans, aspirations and goals.

I'll be delighted to provide you a no risk or obligation FREE MARKET APPRAISAL OF YOUR BUSINESS.