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GROUP

# Selling Your Business to an Outside Buyer

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# Process

1. Planning
2. Preparation
3. Marketing
4. Execution
5. Closing

# Why Plan?

- ❑ Less than 40% of business owners successfully transition their business. The primary reason given? Improper or no planning.
- ❑ Only 9% of business owners have a formal, written transition plan

## Consequently

- ❑ Only 1 in 10 owners receive a price for their business anywhere close to what they want or expect

# Planning

## ***Establish Clear Objectives – what do you wish to accomplish from the sale?***

- Maximize cash from the sale?
- Find a partner for growth?
- Remove liability?
- Exit involvement in business?

# Objective = Strategy

***Selling to an outside buyer is not “one size fits all.”  
Your end goal should dictate your course of  
action...for example:***

## **Objective**

Maximize Cash

Find Growth Partner

## **Possible Course of Action**

Sell to strategic buyer

Sell to financial buyer

# Valuation

## ***Establish Valuation and Pricing Expectations Appropriately...***

### **Key Points:**

- Valuation and Pricing are **NOT** the same
- Pricing is heavily dependent on transaction type
- Be sure to utilize a trusted 3<sup>rd</sup> party for guidance on both valuation and on pricing

# Valuation vs. Pricing





# Preparation

- ❑ Select Advisory Team
- ❑ Organize Stakeholders
- ❑ Organize Internal Team
- ❑ Organize Financial Information
- ❑ Conduct pre-emptive due diligence

# Marketing

- ❑ Research Potential Buyers
- ❑ Conduct Market Due Diligence
- ❑ Create Marketing Document
- ❑ Contact Prospective Buyers

# Execution

- ❑ Design and Communicate A Credible Auction Process

***The purpose here is to create as much leverage as possible.***

- ❑ Offer/Indication of Interest

- ❑ Letter of Intent

- ❑ Purchase Agreement

# Transaction Milestones

- ❑ Elements of a sound Indication of Interest:
  - Valuation Range and Methodology
  - Financial Structure
  - Ownership Structure
  - Due Diligence Process
  - Closing Timetable
- ❑ Letter of Intent should contain all of the above and any other major deal points
- ❑ Purchase Agreement – Major Elements
  - Price
  - Ownership Interests
  - Reps & Warranties (Allocation of Risks)

# Closing / Purchase Agreements

## ❑ Asset Purchase Agreement

- Buying Assets of Company
- Tax advantage for buyer
- Shields Acquirer from the liabilities of the acquired company

## ❑ Stock Purchase Agreement

- Buying Stock of Company
- Tax advantage for Seller

# Contact Info

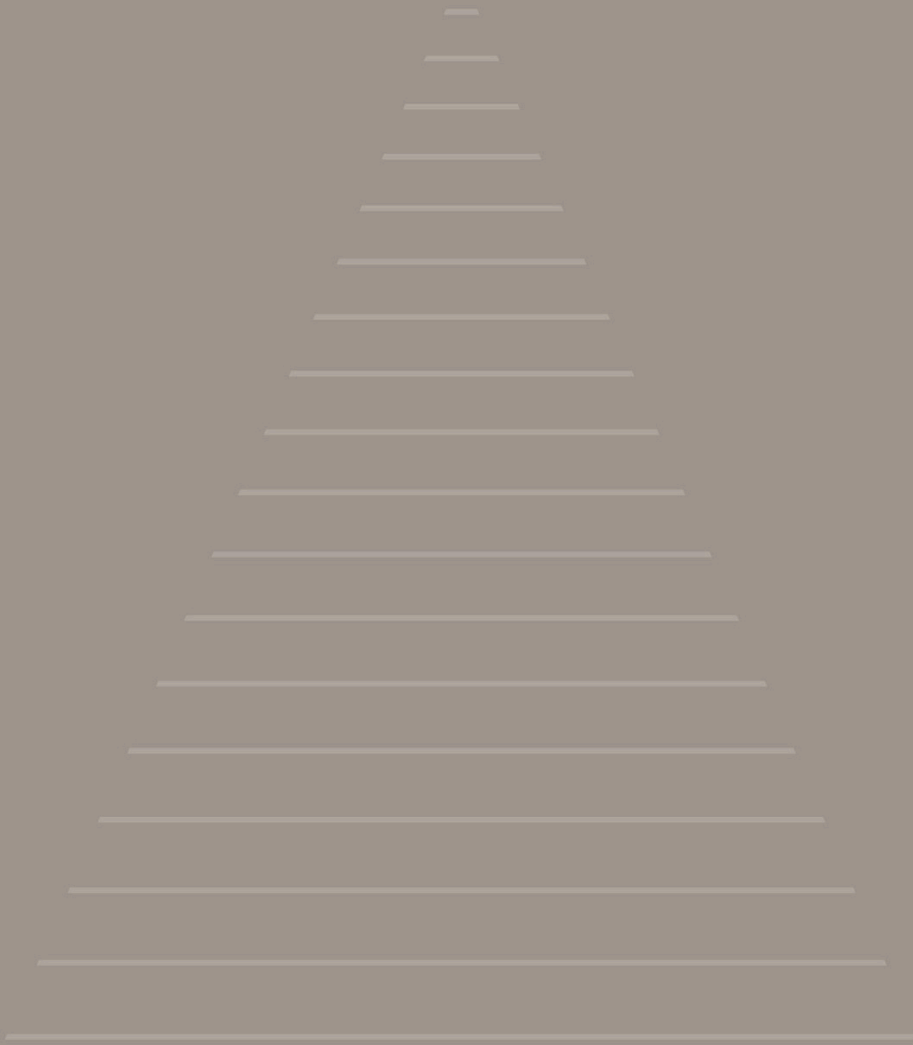
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