

Selling to an Outside Buyer: Managing the Process

Presented by:

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Today's Topics

- Critical questions for business owners
- Difficulties when selling
- Role of an intermediary
- The business selling process
- Types of business buyers
- What buyers are looking for
- Other discussion points
- Questions and answers

5 Critical Questions

Question #1

Do I have a way to confidentially market my business without current employees, customers, or suppliers knowing that I am considering the sale of my business?

5 Critical Questions

Fact

According to a recent survey **90%** of sellers **using an intermediary** felt that their involvement **resulted in a more confidential sales process.***

*Source: Results of a survey conducted by Smith Bucklin and Associates; commissioned by the M&A Source & the IBBA

5 Critical Questions

Question #2

If I take time away from running my business to handle the business sale process, will my business potentially decline in revenue and profitability which would make my business even more difficult to sell?

5 Critical Questions

Fact

A recent study concludes that of business buyer prospects that inquire on opportunities, **less than 3% will actually purchase a business.***

*Source: International Business Brokers Association

5 Critical Questions

Question #3

How do I know that I am not asking too much for my business, potentially scaring away buyer prospects and prolonging the timeframe to sell, but not asking too little leaving money on the table?

5 Critical Questions

Fact

Less than 25% of businesses with revenue under \$10M will sell often the result of being mispriced. Failure to do pre-sale planning is the #1 reason why deals fail.*

*Source: The Business Reference Guide, The Essential Guide to Pricing a Business, 15th Edition by Tom West and PriceWaterhouseCoopers, *Whose Business Is It Anyway? Smart Strategies for Ownership Succession*

5 Critical Questions

Question #4

Do I have a way to market my business to the largest audience of potential buyers?

5 Critical Questions

Fact

Survey results revealed that **60% of sellers** said they **received over 40% more for their business** using an intermediary, often as a result of reaching a larger number of buyer prospects. *

*Source: Results of a survey conducted by Smith Bucklin and Associates; commissioned by the M&A Source & the IBBA

5 Critical Questions

Question #5

Do I have a way to provide a buffer between me and the buyer prospect to address my concerns during negotiations and due diligence without jeopardizing the chemistry I have developed with the prospect?

5 Critical Questions

Fact

Survey results showed that 90% of sellers using an intermediary felt that their involvement resulted in significantly reduced stress.*

*Source: Results of a survey conducted by Smith Bucklin and Associates; commissioned by the M&A Source & the IBBA

Difficulties Sellers Encounter

... when trying to sell their own business

- Valuing the business
- Keeping it confidential
- Marketing
- Structuring the deal
- Financing
- Preparing documents
- Negotiating
- Timing
- Dealing with buyers
- Remaining objective
- Running their business AND selling their business

Role of an Intermediary

- Provides confidentiality
- Educates all parties on process
- Create customized marketing package
- Executes strategic marketing plan
- Act as buffer for emotions
- Provides negotiation skills
- Facilitates process from start to finish

The Steps to Selling A Business

| PLANNING | SEARCH | DEAL MAKING | CLOSING |
|--|---|--|-------------------------------------|
| Plan for Selling ↓ | Activate Buyer Search Plan ↓ | Buyer Visit First Meeting ↓ | Coordinate Due Diligence ↓ |
| Gather Your Data ↓ | Distribute 1-Page Business Summary ↓ | Tour Business ↓ | Loan Request Package ↓ |
| Recast Your Financial Statements ↓ | Qualify Buyer ↓ | Probe Buyer Interest ↓ | Lender Introductions ↓ |
| Determine Value and Assets to be Sold ↓ | Determine Buyer Interest ↓ | Motivate Buyer to Act – Offer to Purchase ↓ | Assist in Resolving All Issues ↓ |
| Prepare CBR /Data Package ↓ | Sign Nondisclosure Agreement ↓ | Facilitate Negotiations ↓ | Definitive Purchase Agreement ↓ |
| Prepare 1-Page Business Summary ↓ | Present CBR /Data Package ↓ | LOI or offer to purchase ↓ | Review Final Documents ↓ |
| | | | Close! |

Types of Buyers

- High Net Worth Individuals
- Private Equity Groups (Financial)
- Industry Buyers (Strategic)

What Buyers Look For

- Cash flow
- Diverse customer base
- Growth potential
- Transition (by seller for 1–6 months)
- Reasonable price
- Flexible terms
- Living wage

Other Discussion Points

- Financing
- Deal Structuring
- Network of Advisors
- Experiences

Questions?



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