STEVEN UNG
Australia's Business for Sale Guru

SELLING YOUR BUSINESS

Tips & Tactics to Increase the Value & Sell it Faster

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Tips and Tactics to Increase the Value of Your Business and Sell It Faster

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About the Author

My name is Steven Ung, and I am a business broker who works hard every day to sell my clients' businesses.

I've written this book to share with you the tips and strategies I've learned over the years that will help you sell your business and maximise the sale price.

I began my entrepreneurial journey in 2011, when I opened my own café in Sydney, which I eventually sold for a healthy profit through a business broker in 2014.

Soon after, I bought an e-commerce company, which I later sold to a Chinese investor for four times the price I initially paid.

While looking for my next business venture, the business broker I originally used to sell my café asked me to assist him in selling businesses to due to an influx of Chinese buyers who were looking for a business at the time.

He believed that my business experience, as well as my ability to communicate in Chinese, would give me a significant advantage as a business broker.

I initially declined because it was always my intention to find another business opportunity.

After a few weeks, I decided to call him back and accept the offer. My intention at the time was to only do it temporarily until the right business opportunity presented itself.

Within my first six months, I successfully brokered the sale of five businesses and quickly became addicted to the rush that comes from working in the business brokerage industry.

Following that, I joined Network Infinity, a business brokerage firm.

6 years later, I am still in the industry and launched my own business for sale portal, Business for Sale Finder with a database of 8000 active buyers.

I am also the owner of Business Brokers Sydney and the Sydney Business For Sale Facebook group, which has over 2000 members.

Introduction

For many people, selling a business is a once in a lifetime event and opportunity for the business owner to be rewarded for all the years of hard work he put into it.

As a result, the owner is usually stressed and emotional. This is not the ideal mindset when your goal is to achieve a good result.

The best way to mitigate stress and achieve the right mindset for selling your business is to prepare yourself by learning more about the business sales process and understand what buyers are looking for.

"By failing to prepare, you are preparing to fail."
— Benjamin Franklin

This aim of this book is to give an insight to business owners business sale process so they can be better prepared for the journey.

Do I really want to sell?

It can be difficult for some business owners to let go after putting in a lot of time, effort, and sweat equity into their business.

Selling a business is a huge undertaking that can be extremely stressful even in the best of circumstances.

You must be mentally and emotionally prepared for the journey ahead – it will never be as easy as it appears, and there will always be obstacles to overcome before reaching the finish line.

The more complicated the transaction, the longer it may seem to go on.

Some of the questions you should ask yourself include: "Am I prepared to let go of the business?"

How will I support myself if I don't make money from the business?

Would I be willing to stay if the buyer requires it?

Being Realistic With Expectations

At the end of the day, a business is only worth what someone is willing to pay for it.

Naturally, the owner wants the best price possible, but if it is overpriced, serious buyers will not bother looking.

Selling your business to a buyer is strictly a commercial transaction!

All of your blood and sweat equity invested in the business over the years will be worth very little to a buyer.

The only thing they're willing to pay for is the verifiable goodwill that can be transferred to them once they buy the business.

Make sure you are familiar with the business sale process and market.

As a business owner, you must understand that how you present yourself and your business, as well as your expectations, will have an impact on the final outcome.

Don't let your emotions get in the way of the sale.

Would Anyone Want to Buy my Business?

To determine if your business is sellable – we must first determine whether there is a buyer out there who will have a reason to purchase your business.

The vast majority of buyers in the market prefer businesses with proven profitability and well-established systems, and these are the buyers who are most likely to pay you top dollar for goodwill.

Distressed businesses that are losing money can still be sold to buyers or investors with the capital and expertise to turn the business around, but at a much lower price than businesses that are currently profitable.

Do You Have An Owner Dependent Business?

What is the biggest factor that prevents a prospective buyer from acquiring your business?

It is the business's over-reliance on the owner to run day-to-day operations.

In general, if your business cannot be separated from you (the owner), you will have a much more difficult time selling it.

This is especially true if you have a set of skills that are difficult to transfer to a new buyer.

As an example.

If you are a talented chef who works in your own restaurant's kitchen, it is unlikely that you will be able to sell your business for a high price because buyers will wonder if there will be a business left after you leave.

Contrast this with a restaurant where the owner is an investor who runs the business with managers, chefs, and written procedures in place.

Being able to run the business without physically working in it is an appealing proposition for any buyer, and not having the operation rely solely on the owner reduces the likelihood of a negative impact on profits once you leave.

Remember that lowering the buyer's potential risk will result in a higher selling price!

Financial Documentation

The days of selling a business for a high price without any paperwork are long gone; this also applies to retail and hospitality businesses.

When selling a business, the past, present, and future performance will all be scrutinised.

Examine your books, consult with your accountant or book-keeper; you must be up to date on your business and prepared to answer any questions that may arise.

When it comes to selling your business, resist the urge to conceal or distort the facts in order to obtain a higher price.

Aside from the possibility of being sued later on, your chances of success are actually very slim because buyers almost never act alone.

In making the decision to purchase a business, their family, friends, accountant, and solicitor are all likely to become involved, increasing the likelihood that one of them will eventually point out the flaws of the business, causing them to drop out later on – wasting your time.

Being truthful and displaying integrity will make the process of selling your business go more smoothly.

When you make claims about a company's profits (or losses), you should back them up with evidence.

Official tax documents such as tax returns, BAS, PAYG, etc are the best form of evidence and carry the most weight.

If your tax returns do not accurately reflect the true performance of your business (which is common in certain industries such as hospitality), you must make every effort to assist the buyer in verifying the turnover through other means such as providing a management profit and loss statement, bank statements, eftpos receipts, invoice statements, etc.

When making claims about profits or losses, you must be clear and concise; even if it is a loss, it may still be valuable to a buyer.

It is also critical to distinguish between profits and the seller's discretionary earnings (SDE).

A business's profit is the amount left over after paying all operating expenses and a fair wage to replace a working owner.

The amount a working owner will be left with after working in the business, including his wages, is referred to as the seller's discretionary earnings

Here's an example of a café where the owner works 40 hours per week but does not receive a weekly wage –

Turnover – $20,000
Wages (not including owner) - $6000
Cost of Goods - $6500
Rent - $2000
Electricity - $250
Gas - $100
Miscellaneous Costs - $600

Sellers Discretionary Earnings - $4550

Fair wage to replace working owner - $1200

Profit - $3350 (total remaining after deducting fair wage for owner)

Potential Opportunities vs Forecasted Growth

It's good to showcase "potential" to the buyer but don't expect this to translate to a higher sale price. For example – a digital marketing company which specializes mainly in offering marketing services to trades people has the "potential" to expand into servicing other clients in other industries. While the buyer may see this as a benefit, it's unlikely they would want to pay additional money for it – since realizing the "potential" will take hard work, additional investment and effort.

In comparison, forecasted growth where an increase in revenue will be realised with very little to no effort from the buyer will most definitely translate to a higher business valuation and purchase price. An example of this would be a cleaning company which has just won a tender to start servicing a new office building in the near future.

Business Valuation – What is my Business Worth?

Let me first state unequivocally that when it comes to selling a business, it is only worth what someone else is willing to pay!!

So because market determines the value, comparing what similar businesses have recently sold for is the best way to determine the price.

Valuation methods and formulas are meaningless if no one is willing to pay what you're asking when you're trying to sell it.

This is especially true in small businesses, where there are simply too many variables.

Using a traditional valuation method to determine a selling price without taking into account the current market will most likely result in your business sitting on the market for longer than expected or not being sold at all.

It is not uncommon to see the same business valued at completely different prices by different accountants and licenced valuers depending on the type of valuation formula used – I've seen valuations for the same business differ by 200-300 percent.

In the vast majority of cases, a knowledgeable business broker will be able to provide you with an agent's estimate (market appraisal) that is much closer to reality than even a licenced valuer can provide.

This is primarily due to the fact that what a buyer is willing to pay determines the value, and brokers are the people who deal with buyers the most.

Having said that, there are times when the agent will request that an independent licenced valuer place a price on the business before listing it for sale.

These are typically reserved for businesses with a large number of tangible assets / equipment, such as cars, manufacturing equipment, and so on, or for businesses with significant patents / trademarks that must be valued separately from the business's goodwill.

How to achieve a higher selling price

When it comes to selling a business, preparation is everything!

Before allowing buyers through the door, you must insure all your affairs and documentation are in order.

Buyers are naturally suspicious (and rightly so), and with so many businesses for sale, they don't usually linger when documents take too long to be provided, or worse, when they appear suspect.

If a buyer believes they are taking a risk, they will most likely try to reduce their risk by paying less for the business.

If you want to sell your business for a higher price, you must consider how you will mitigate risk for the buyer.

Having your documentation in order is one of the best ways to achieve this.

One of the most common buyer complaints is a lack of readily available and concise information on businesses, so you have an opportunity to stand out from the crowd by having all of the documentation ready.

While it is still possible to sell a business with limited financials, you should expect the price to reflect the buyer's additional risk.

You should be prepared with the following information:

- financial documents for the previous five years;
- customer lists, supplier lists, and any agreements;
- processes such as training and operation manuals;
- employment contracts;
- list of equipment and agreements;
- copy of the current lease;
- documentation for intellectual property, trademarks, and so on;
- staff rosters, roles, experience, salaries and any other information about the staff

If there is anything else you believe buyers should know before making a decision, make sure it is ready.

It is critical to instil trust in a buyer.

The best way to accomplish this is to insure that you can provide them with the information they require in a timely manner, avoiding any doubts or suspicions in their minds.

Prepare to answer any questions without causing conflict or giving the impression that you have something to hide.

DUE DILIGENCE - THE DO'S & DON'TS

Allowing your emotions to get in the way of selling your business is the number one killer of a potential sale.

Too many times, I've seen sales fall through because the vendor (person selling) becomes defensive when the interested party asks questions.

In a typical scenario for a small business purchase, the seller is well-established and has assets such as houses and cars to his name.

The buyer, on the other hand, is usually putting his or her house on the line, borrowing money from family members, and taking out loans just to be able to purchase the business, and they run the real risk of going bankrupt if the business they buy fails.

Try to understand their position.

DO

- Put yourself in the buyer’s shoes.
- Try your best to answer all the questions.
- Provide evidence to back up your claims.
- Work with your broker and remember — you are on the same team.

DON’T

- Let your emotions get in the way.
- Panic if they ask for things you don’t understand. Ask your business broker for help, let them know you do not understand, and they will help you.
- Hide any information that would influence a buyers decision; it will eventually come up anyway.

Many vendors become agitated by the number of questions they are asked, especially when a buyer requests documentation to back up the figures.

Be prepared for this if you are trying to sell your business.

Buying a business is always a risk, and all buyers/investors will always try to eliminate or reduce the amount of risk they face.

A bad business purchase can quickly turn into a liability, so don’t take it personal and make sure you have all of your documents ready for inspection by any legitimate buyer.

If you don't have what they want ready, just be honest and ask for a reasonable time frame for having it ready.

It is worthwhile to have your business broker review the documentation before sending it through so that any irregularities that may confuse the potential buyer can be identified.

There could have been some significant expenses in the previous year from a one-time purchase of equipment or personal expenses unrelated to the business.

Make it clear enough so that the person looking over the documents understands what it is and how it may or may not be a cost of doing business.

These are some of the issues that may arise during the due diligence process; being prepared and transparent is the best practise.

Biggest Mistakes When Selling Your Business

Here are a few of the mistakes which business owners frequently make when it comes to selling -

Setting the price too high!

Many business owners want to advertise their business for sale at a price well above it's market value with the assumption a buyer will negotiate and make an offer. This is the WRONG mindset!

Here are the reasons -

- It's a buyers market (at the time of writing, there are currently 3000+ businesses for sale in Sydney listed on Seekbusiness.com.au – a business for sale website)

- The vast majority of serious buyers would have seen many comparable businesses so know what they are going for

- Doing due diligence on a prospective business takes time and effort – why would someone bother if it doesn’t even seem like the business owner is realistic?

I've seen it far too many times: vendors (business owners) who overprice their business end up prolonging the sale process and receiving LESS than they would have received if they priced their business correctly from the start.

Cashed-up buyers are in high demand in today's market, and there are numerous business opportunities being pushed to them on a daily basis.

Furthermore, banks have tightened business lending restrictions, making money more difficult to come by than business opportunities.

Buyers are aware that they are in a position of power; they will still enquire about the businesses listed at an exorbitant price but will not pursue it further.

They don't mind sitting back and waiting for the right opportunity to come along – and they also know there's a good chance the business will just sit on the market (due to the high asking price) and are more than happy to just sit back until you lower the price in 6 months and are more desperate to sell – more than likely, they will see this as an opportunity to buy you out at below market value.

Overselling the Business and Being Too Pushy!

For most people, purchasing a business is a life-changing decision.

As a result, pushy used car salesman tactics rarely work.

Your job as a seller or broker is to first understand their plans and discover what they are looking for in a business, then highlight the key areas of your business that will meet their requirements.

There are ways to do this correctly; for example, if you tell your buyer that this particular business opportunity is the deal of the century, they will most likely raise their defences and look for the "catch."

Our job is to match the right buyer with the right business and then create a sense of urgency so that the transaction can proceed as quickly as possible before they lose interest.

Understanding the buyer's desires is critical to a successful sale.

You must make them feel as if they made the decision on their own and that this is a once-in-a-lifetime opportunity.

If they are stalling, it is our responsibility to figure out why and assist them in working through their doubts.

For example, Rahul made a $300,000 offer on a cleaning business, which the vendor accepted.

He moved quickly and paid a deposit, but then stalled once the contracts were sent to the solicitors.

After being called on it, he revealed that he had spoken to a friend in the cleaning industry who had made him doubt the business because he was concerned that there were no contracts in place and that the clients knew the owner personally, which could pose an additional risk to the business.

We added a longer handover period and a transition strategy in which the current owner would stay on for an extended period as a paid consultant once we knew about his reservations.

This aleviated Rahul's concerns, and the process resumed its normal pace.

When it comes to negotiating, you want to find out what their walk-away point is and get as close to it as possible – keep your eyes and ears open for any signs of doubt in your buyer – it's not uncommon for sales to fall through after the offer is made.

Selling Yourself Instead of Selling The Business

When I meet with a potential buyer, one of the most common mistakes I see vendors make is selling their own skills rather than the actual business.

You must remember that the business is for sale and that you DO NOT come with the business.

It's easy to become too focused on yourself during a meeting with the buyer; after all, you put your heart and soul into the business and are proud of what you've accomplished.

However, by overstating your own skills and knowledge, you may scare the buyer into believing that he/she cannot run the business as well as you and cause them to price in the possible drop in business revenue when it comes to making an offer - that's if they don't walk away from the deal.

Remember to concentrate on the actual business rather than on yourself.

Saying less is always preferable to saying more.

Allow the buyer to ask questions and keep your responses relevant and to the point.

Taking it Personal

When an initial offer is made, make sure you do not close the door to further negotiations when presented with it – no matter how low it is!

Remember that each party will try to negotiate the best deal for themselves, so keep a cool head and remember that this is all part of the process.

Unless otherwise specified in an agreement, business brokers are required by law to relay all offers to their vendors within a reasonable time frame.

When a serious buyer makes an offer that the broker knows will not be accepted, an experienced broker would have already managed the buyer's expectations and created an opening for a counter offer.

Not Accepting a Good Offer

This relates back to understanding the market and having a reasonable selling price in mind from the start.

Throughout the sales process, your expectations should be consistent.

When a good buyer comes through to make a good first offer on the business, I've seen far too many vendors become greedy, thinking they can take advantage of the opportunity and end up pushing the buyer to the point of walking away.

When you discover that the other party has moved as far as they are willing to go, asking for that last little bit will almost always kill the deal.

It doesn't take much – I've seen deals worth hundreds of thousands of dollars fall through over a mere 5-10k.

You must understand that by asking for that little bit extra, you risk having the buyer reassess the entire deal and look more closely at the potential pitfalls of the business opportunity.

This kills all momentum, and even if you accept the initial offer, the buyer will most likely convince himself not to buy the business.

My experience with buying and selling businesses has taught me that the first offer is almost always the best offer!

This isn't always the case, but is true a vast majority of the time.

I've seen many times when a good offer comes in quickly after a business is put on the market – this gives the business owner a false sense of security, and he begins to believe that if he waits for the next offer, he might be able to get something better.

After months of waiting, he decides to go back to the original buyer, only to find out that the buyer has now revised his offer to something much lower than the original offer – or worse, they are no longer interested at all.

Here's an example from the real world:

Ahmed owned a digital marketing company; he received a market appraisal of $240,000 for the business and listed it for sale at $290,000; within the first month, he received an offer for $250,000 from a buyer who already owned a similar business in the same industry.

After consulting with his wife, he decided to return to the buyer and demand $270,000.

The buyer refused and Ahmed decided to wait for another offer rather than accept the original one.

After three months of waiting, it never arrived.

He returned to the original buyer, but by then, the buyer had had time to reconsider the offer and reduce it to $200,000.

Ahmed declined the offer, and the buyer walked away (this time for good); another 6months went by, the business ended up selling his business for $190,000

Handling Negotiations

Negotiating can feel confrontational, and this is where a good broker's experience comes into play.

Negotiating the best possible sale price and going over terms and conditions — some people approach these processes defensively, even argumentatively.

Negotiating is an unavoidable part of achieving a mutually beneficial gain.

Most people focus on the final price being offered when discussing negotiations.

Aside from that, there are a slew of other issues that must be worked out.

As a seller, you should be prepared and handle the majority of the negotiating before contracts are drawn up.

This reduces the possibility of a misunderstanding later in the sales process, which could jeopardise the deal.

One thing to remember is that solicitors are SLOW and love to put on their business advisor hats (despite the fact that many do not have the qualifications to do so), which can be disastrous if they begin to sow doubt in the buyer's mind.

You don't want to be back and forth with the solicitors negotiating the terms of the sale.

You will be able to speed up the process and reduce the opportunity for the buyer's solicitor to make unreasonable demands if you make their job easier and set the terms BEFORE handing over the deal to them. This has the benefit of also significantly reducing your legal bill.

Keep in mind, however, that a good solicitor will notify their client if any of the terms pose a significant risk to their client and that it is acceptable for them to want to make changes.

Things to Negotiate:

1. Asset inventory – what is included in the purchase?

2. Purchase price and payment terms - Will the entire amount be due at settlement, or will there be some vendor finance involved, allowing you to be paid over time?

3. Future responsibilities – Will there be a trial period? How long will the training last? Will you continue to work as a consultant? Will you be paid for your time if you stay?

4. Non-competition clauses and trade restraint – How long will this last and what is the radius?

5. Employment Contracts – Will the buyer's contracts with employees, as well as annual leave entitlements, be transferred to him after he takes over? Will they have to be renegotiated?

6. The lease – Will the buyer take over the existing lease or will they require a new lease? And who will foot the bill if a new lease is required?

Negotiations can be brief and straightforward or lengthy and complex.

As previously stated, avoid bringing personal emotions and pride into the negotiating process.

When it comes to negotiating a business, I find that the business owners who are able to keep it professional and keep their emotions towards the business out of the sale by treating it like a commercial transaction get the best results.

Remember that when it comes to selling a business, both the buyer and seller must feel like they are getting a good deal – otherwise, the transaction will not take place.

Before you begin, you should be aware of your position; you should be aware of the other parties' objectives and the benefits to them of purchasing your business.

Here's an example:

John owned a meat processing plant in Marrickville, NSW, that supplied meat to 20 local pubs and clubs.

His current lease was coming to an end, and his landlord was planning to redevelop the property, which meant he had to vacate.

He came to the conclusion that buying a local butcher shop would be the cheapest and quickest way for him to continue serving his clients.

He spent weeks looking online for a suitable business to relocate to, but he came up empty-handed.

He came to my business brokerage because he was out of time and hoped I would have a suitable business for him.

I already had a potentially suitable business for him in the back of my mind.

But, before I presented it, I asked him the following questions –

"What are the requirements for the business you want to buy?"

“Do you have a plan B in case you can't find a suitable butcher shop?”

“How much would the backup plan cost to put into action?”

John stated that the butcher shop must have a loading dock and be no more than 5 kilometres away from his current location.

If he can't find a suitable butcher shop in time, he'll rent an empty warehouse and outfit it with equipment – a process that will take 6 months and cost around $300,000.

This information would come in handy later in the negotiation process.

Following this initial conversation, I presented John with a butcher shop for sale in my database that was listed for $100,000 and met his requirements.

He quickly arranged a meeting with the owner to inspect the business and quickly made an offer of $65,000.

To be fair, this was a reasonable offer for the business.

The business was not profitable, and the owner's discretionary earnings were only $1500 per week for someone willing to work 60 hours per week in the business.

Furthermore, the equipment and fitout were over ten years old.

Under normal circumstances, I would have advised the business owner to accept the offer and run; instead, I advised him to decline it and request a higher amount.

We eventually got the buyer up to $90,000 and got him to agree to pay the landlord's legal fees, which were an additional $3000.

I was able to persuade the buyer to pay more than the market value of the business because I knew the buyer had a lot to gain by buying it – and even more to lose if he didn't.

This is why it is critical to understand your buyer as well as the market.

You should know ahead of time whether there are similar businesses for sale in your area that the buyer could easily go to if yours does not work out.

When it comes to negotiating, knowledge is power.

CONTRACTS & SETTLEMENT

In most business sales, there will be many conditions that must be met in order for the contract to be fulfilled. With different businesses come different conditions – as stated in the previous chapter, it's best to be prepared and negotiate these terms with the buyer before it goes to the solicitor.

Once the terms have been negotiated and agreed upon by both parties, a small deposit for a nominated amount is usually paid into a trust account (usually held by the business brokers agency). The deposit is non-binding prior to the contract being exchanged and is fully refundable at this point.

A sales advice or terms sheet is sent to the solicitor who will use it to draw up the contract. Once the contract is issued and agreed upon and signed, the buyer will usually top up the deposit to be 10% of the purchase price and an exchange of contract will occur. At that point, the contract is binding and the buyer risks losing their deposit if they pull out – unless the contractual terms of the contract weren't fulfilled.

These are some of the items that need to be completed before a contract has been completed and/or fulfilled.

The next steps are to fulfil the conditions with the aim of settling. Once the conditions are met, the sale can be finalised, and the settlement will occur. With some rare exceptions, this is the time when payment and ownership are transferred.

SHOULD YOU USE A BROKER T0 SELL YOUR BUSINESS?

As a business broker and also a business owner which has used business brokers to help sell my own businesses, it is my opinion that the answer is going to be yes more times than no.

These are my reasons -

Business brokers know how the buy and sell process works – they can help you facilitate the deal from start to finish so can help you avoid potential pitfalls which can lead to the sale falling through.

They save you time - It is a lot of work to sell a business so if you don’t have the time to set aside then you should use a business broker.

Business brokers allow you to deal with buyers at an arms length which keeps the deal professional and prevents unnecessary emotions from getting in the way of the sale.

They know how to present a business to a potential buyer while helping you weed out the tyre-kickers.

They already know lots of people looking to buy businesses like yours, so if you want your business sold faster, the best way to do it is through a broker.

Business brokers increase your exposure and increase the likelihood of bringing more than 1 buyer – therefore increasing your selling price.

They know what sells – and also what doesn’t, if you’ve had discussions with a couple of experienced business brokers and they’ve refused to list your business, then you may need to start considering other options such as selling the equipment at value and winding the business down before handing the keys back to your landlord.

How to Choose the Right Business Broker

If you want to sell your business, it's critical to choose the right business broker so that you get the best possible selling price.

A good broker should be unbiased and tell you the truth rather than just what you want to hear.

I'm not saying that every time you hear what you want, alarm bells should go off.

I'm simply suggesting that you do some research on the market, the agents you'll be interviewing, and the company with which they're affiliated (if any).

Some questions to ask -

1. Have you sold similar businesses to mine?

Your business broker should be knowledgeable about your industry; if they've sold similar businesses in the past, there's a good chance they still have qualified buyers in their database who missed out on previous opportunities, which could expedite the sale.

2. Do you think you could advertise my business for a million dollars?

Be wary of brokers whose primary source of income is from "listing" and advertising fees rather than actual business sales.

If you propose a high, unrealistic figure and they agree, you are most likely wasting your time.

A successful agent will not waste their time listing a business where the owner is unrealistic; they value their time and will not waste it on a business that will not sell.

3. Do you have an office?

There's nothing wrong with working from home, especially now that Coronavirus has made remote working so popular.

However, in the case of business brokers, you want to make sure that this person isn't just a part-time broker, as this would imply that he won't be able to give you his full attention when it comes to selling your business.

4. How many active listings do you have right now?

While having more listings may appear to indicate that the broker is popular and capable, it could also indicate that this broker is willing to take on any listing (for a fee) in the hopes that something will eventually sell.

The requirements for selling a business differ greatly from those for selling real estate.

If you want to get the best price for your business, you should work with a broker who is dedicated to finding the right buyer and nurturing the process.

As a full-time business broker, I've found that having 15-20 high-quality, sellable listings is the sweet spot.

Any more than this means I won't be able to respond to buyers in a timely manner, and timing is critical for a successful business sale.

5. How do you value my business?

Asking a business broker how much they value your company will give you a good idea of how well they understand your industry.

If they give you the same generic response as your accountant, something along the lines of "it's your nett profits multiplied by two years," you can bet they'll just put up your business and hope for the best.

Traditional business valuation formulas, as stated in previous chapters, simply do not work for small businesses with so many variables.

An experienced business broker will be able to provide you with examples of similar businesses that have previously been sold as well as comparable businesses that are currently on the market.

They will also ask you some very specific questions about the business that will vary depending on the type of business you are attempting to sell.

For example, a business broker who has sold cleaning businesses, will know to ask you what percentage of your revenue comes from recurring regular cleaning contracts versus one-time cleaning work, as this will affect the value when selling.

6. What do you require from me?

Information and documentation preparation is critical to a successful business sale.

If your business broker says he doesn't need anything other than the agency agreement, this could mean they're just looking for a listing fee from you.

Selling a business necessitates a significant amount of effort on the part of both the business broker and the seller.

If your broker says, "We can just put up the ads and start collating the documentation once we get a buyer," you have to wonder if he is confident in his ability to bring you a buyer at all.

In my opinion, in order for a sale to be successful, both the broker and the business owner must be committed to putting in the effort to prepare the business for sale BEFORE it is placed on the market.

If your broker does not appear to be willing to invest the time necessary to sell your business before it goes on the market, do you believe he will be able to do a good job for you once it is on the market?

THANK YOU

This concludes my e-book.

I hope this information has provided you with a better understanding of the process of selling a business.

My next E-book, due out later this year, will cover how to buy a business and the due diligence process.

I'd also like to take this opportunity to thank my family, staff, clients and colleagues for putting their trust and believing in me over the years.

Business brokering is fraught with ups and downs, and the inconsistency of income means that the vast majority of business brokers leave the industry within the first two years of obtaining their licence.

It’s a cut-throat industry and I would not have succeeded and be where I am today without the help and support of those close to me. If you would like some advice on selling a business, please contact or connect with me on linkedin –

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