

## Advice to Sell Your Business

*Louis Bruwer*

We always tell our sellers to remember why they sell their business and by when they want it done. The average well prepared business geared for selling takes 150 days. We always tell our sellers to not be influenced by people that tell them different, especially unscrupulous brokers trying to get the mandate from them. We base our selling time on more than 30 years experience and current statistics on the more than 1000 businesses mandated with us. This is a buyers market with banks not granting finance in most cases, various well priced good businesses on the market and the current market sentiment. So what must you do if you serious about selling your business in these conditions?

*"Most common problem for businesses not selling is "price, price, price!"*

### 1. Price

This is the most important factor. If you price your business wrong it won't sell, sweet and simple. People always ask me but what about the fact that I built this business for 30 years? Is that worth nothing? It is worth what profit you are making currently. You should also remember that you took money out of the business for 30 years to live, if you didn't it would be worth all that money extra.

We have various valuation models we use to give you our view of the price. You should also remember that your business competes with thousands of other businesses on the market on profit, price, assets, risk, operations, location, type and the all important x-factor a buyer is looking for.

If you price it to high it won't sell, dropping the price later makes buyer suspicious as they think something might be wrong with the numbers of the business. So pricing it right from the start is the best way to get it sold. In property you have heard of the term "location, location, location"? Most common problem businesses not selling has is "price price price".



Most importantly of all is this, the business is worth what a buyer is willing to pay for it. Despite everybody's opinion and all valuations it is worth that in the end.

### 2. Provable Income

If you have not kept proper books don't expect buyers to be excited and trust you. They won't trust through a third party if you are expecting a fair price for your business. Buyers will offer you much less, if they even bother to make an offer, for a business without books. And whatever you do, don't wait until an offer is made to then prepare a set of books. This in more cases means no offer at all, or a buyer that sees something else he rather buys while he waits for the financials to be prepared. Without proof of income, and the buyer does make an offer, you can be sure you will be paid in part and the balance after a period if the business makes the claimed revenue. All that will then be at a lower negotiated price. More importantly you will make it impossible for buyers to obtain financing to buy your business.



### 3. Condition of the business

This is one of the things a lot of people overlook. If you sell your house won't you tidy up, give it a fresh coat of paint and mow the lawn. Prospective buyers arrive and the trucks need a wash, the kitchen cleaning, the storeroom filled with rubbish, the yard full of junk and the deal goes out the window. Well run businesses sell. Well run businesses fetch a good price. A business that looks like a junkyard when it isn't one, will look run down and dilapidated. That business in the mind of a buyer cannot do well. Even if the provable income shows different, that will just make them suspicious. Remember that most buyers are suspicious sellers in the first place and to why they selling the goldmine. Have all relevant information available, have the business clean and looking successful, have it ready for a sale.



#### 4. Future plan for growth

Buyers will never pay you for all the great blue sky opportunity you tell them about. If it was really so easy and great then you should have done it already before you sell the business to get the future growth included in your asking price. The important thing however is, although they will NOT PAY you for that, it might be the reason WHY they buy the business from you in the first place. Very few buyers will buy a business with no or limited future opportunity. If your business has these opportunities prepare them in an easily understandable format as part of the package to make the business an attractive sellable business. But please don't try and work this into your price, nobody pays for it, just buy for it.



#### 5. Vendor Financing

With the current market condition and legislation it is extremely difficult for buyers to raise financing for buying a business. Gone are the days of 100% loans or small deposits, no security and long payment plans. In the last two years many a proud business buyer was humbled and frustrated by the process of trying to obtain funding. Large cash deposits are now required, security for the outstanding balance are required, proper audited financial statements for the business been purchase showing profits to repay the loan are needed. Many deals did not happen because of the new way of doing things. If you really want to sell your business you might have to consider giving vendor financing for a part of the transaction. In the event that you finance a portion to the buyer without him needing to obtain a loan which makes it easy for him, price is no longer a bargaining tool. You may also finance a portion; he contributes a portion and a financial institution the balance. In this scenario it is a lot more likely that the financial institution will finance the deal. You by financing a portion is basically saying that you believe in the future of the business and as seller who is in a better position to tell?



#### 6. Open Minded

Most important of all – Keep an open mind! Every business is unique, every seller is unique and every buyer is unique. No two deals look the same, has the same set of circumstances, terms and conditions. If an offer is made keep that in mind as every party will have the things that are important to them on the table. The more complicated you make it, the more likely it is that your business won't sell. Never forget your end objective and that is to sell your business for a fair price.



The one thing to remember is that nobody sells a bargain. A buyer might buy a bargain because what he plans to do and can do with your business makes it a bargain. So you can only ask a fair price that a buyer will be willing to pay if you really want to sell your business.

So let's value your business properly. Let's agree on a price, marketing plan and strategy that is appropriate. Don't get swept away by the guy down the road that sold his business for a specific price. You don't understand all the dynamics of that specific transaction. After all you chose to select a professional business broker to guide you through this. You are the expert at your business. Our business is selling yours.

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