

The 4 Stages of a Business Sale



In This Seminar

- Introductions
- Misconceptions About the Whole Thing
- The 4 Stages of it All
- Summary
- Your Questions

Jim Kahrs

- 36 Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Valuations, Succession Planning
(More than 300 transactions)
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®



NOW YOU CAN KNOW WHAT YOUR BUSINESS IS REALLY WORTH.

- A STEP-BY-STEP PROCESS TO SEE WHAT DRIVES BUSINESS VALUE
- VIEW YOUR BUSINESS THROUGH THE EYES OF AN ACQUIRER
- ADDRESS AREAS THAT INFLUENCE A PREMIUM OFFER
- KNOW WHAT TO DO NOW BEFORE YOU SELL
- GUIDED BY A CERTIFIED VALUE BUILDER ADVISOR AND INDUSTRY EXPERT

MORE INFO AT PROSPERITYPLUS.COM



FIRST AUDIENCE POLL

**HOW LONG UNTIL
YOU INTEND TO
EXIT THE BUSINESS?**

1- 2 YEARS

3-5 YEARS

6-10 YEARS

MORE THAN 10 YEARS



Common Misconceptions

- It's just like selling real estate
- You can handle it yourself
- There isn't much to negotiation beyond the price
- There is no risk if the payment is "guaranteed"

Stage I (Exploratory)

- For basic questions about the game plan
- Explore reasons for a sale
- Who will be affected?
 - Owner
 - Family
 - Employees
 - Customers
 - Vendors

Stage I (Exploratory)

- What is the true value of the business?
- Ready for a sale?
 - Operationally
 - Financially
 - Market Conditions
 - Tax Considerations
- Timing
 - The sooner the better
 - Min 3 years out, earlier is advantageous

2ND AUDIENCE POLL

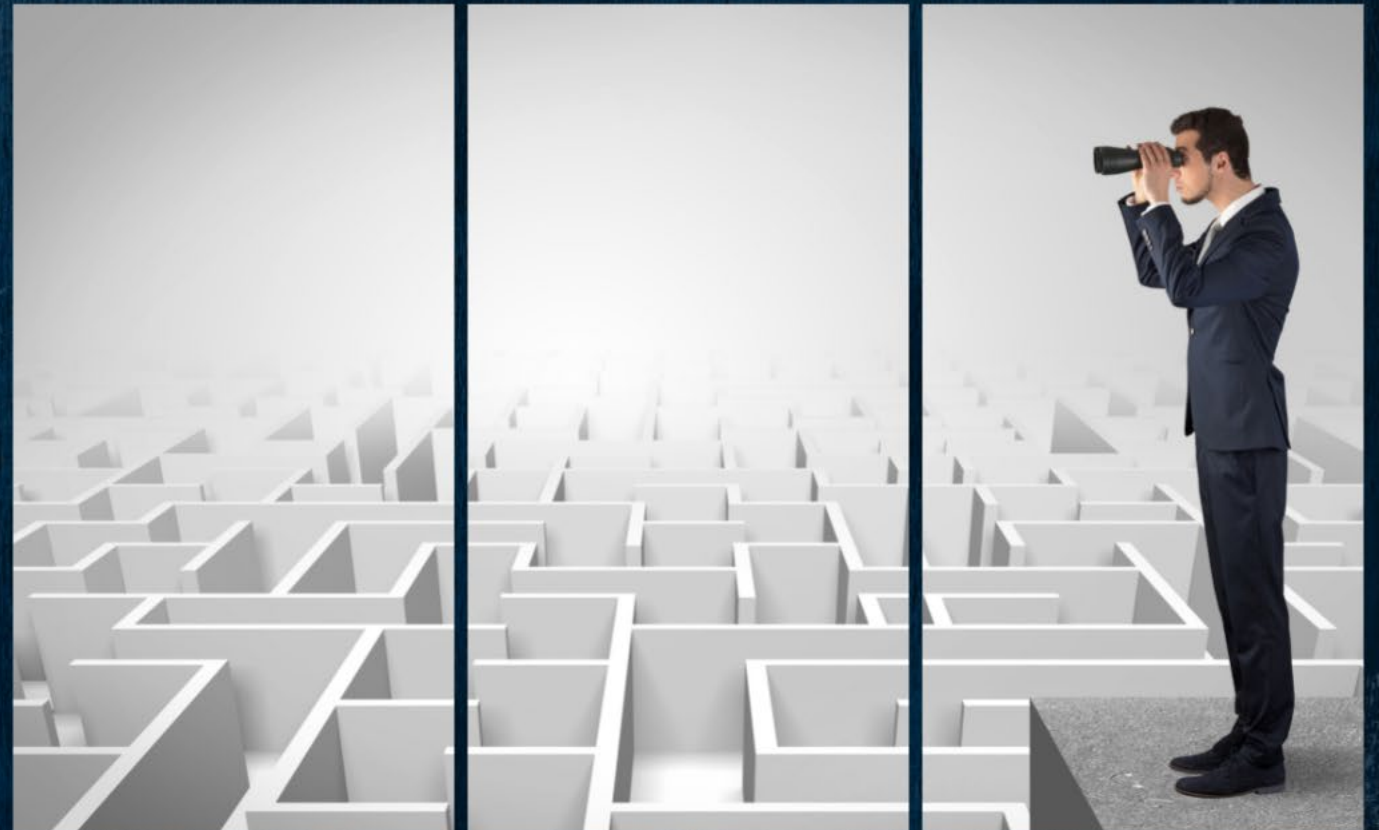
**WHO WOULD BE
THE BEST
CANDIDATE TO
TAKE OVER?**

FAMILY MEMBER/NEXT GEN

KEY EMPLOYEE(S)

ANOTHER COMPANY IN THE AREA

A COMPANY OUTSIDE THE AREA



Stage II (Strategy)

- Most think this is where the process starts
- A comprehensive plan is critical
- All key documents must be prepared in advance
- Full, go-to-market strategy in place
- Potential buyers carefully selected and vetted

Stage II (Strategy)

- Present the business in steps
- Give buyers all pertinent data they request
- Never share customer names or employee info
- Timing (30 to 120 days)

Stage III (Execution)

- Where the transaction happens
- Work with multiple potential acquirers
- Understand the pros and cons and potential fit of each
- Typically begins with an IOI (Indication of Interest)
- Followed by LOI (Letter of Intent)
- Agree on one deal to proceed with
- Move into due diligence, document creation/negotiation

Stage III (Execution)

- Due Diligence
 - Buyer will have access to nearly all business data
 - Buyer will be looking for areas of concern
 - Most business owners are not prepared for the invasive nature of the process
 - Just as important to the seller as it is to the buyer

Stage III (Execution)

- Document Creation/Negotiation
 - Purchase agreement
 - Non-compete agreements
 - Employment agreements
 - Vendor agreements
 - Other ancillary legal agreements
- Closing (can feel anticlimactic)

Stage III (Execution)

- Timing
 - Typically takes 60 - 90 days
 - Takes what it takes. Some have been wrapped in 30 days. Others much longer.
 - Be patient. Continue to operate the business in normal course.

Stage IV (Adjustment)

- The Initial Shock
 - Owners
 - Employees
 - Customers
 - Vendors
- Settling yourself in as an employee
- Tracking earn-out, reps and warranties
- Detailed transition plan is vital
- True test of a business is how well it performs after the sale

3RD AUDIENCE POLL

**WHAT ARE YOU
LOOKING
FORWARD TO
POST-EXIT?**

TRAVEL
TIME WITH FAMILY/GRANDKIDS
ANOTHER CAREER
VOLUNTEER/PHILANTHROPY
NO CLUE



Summary

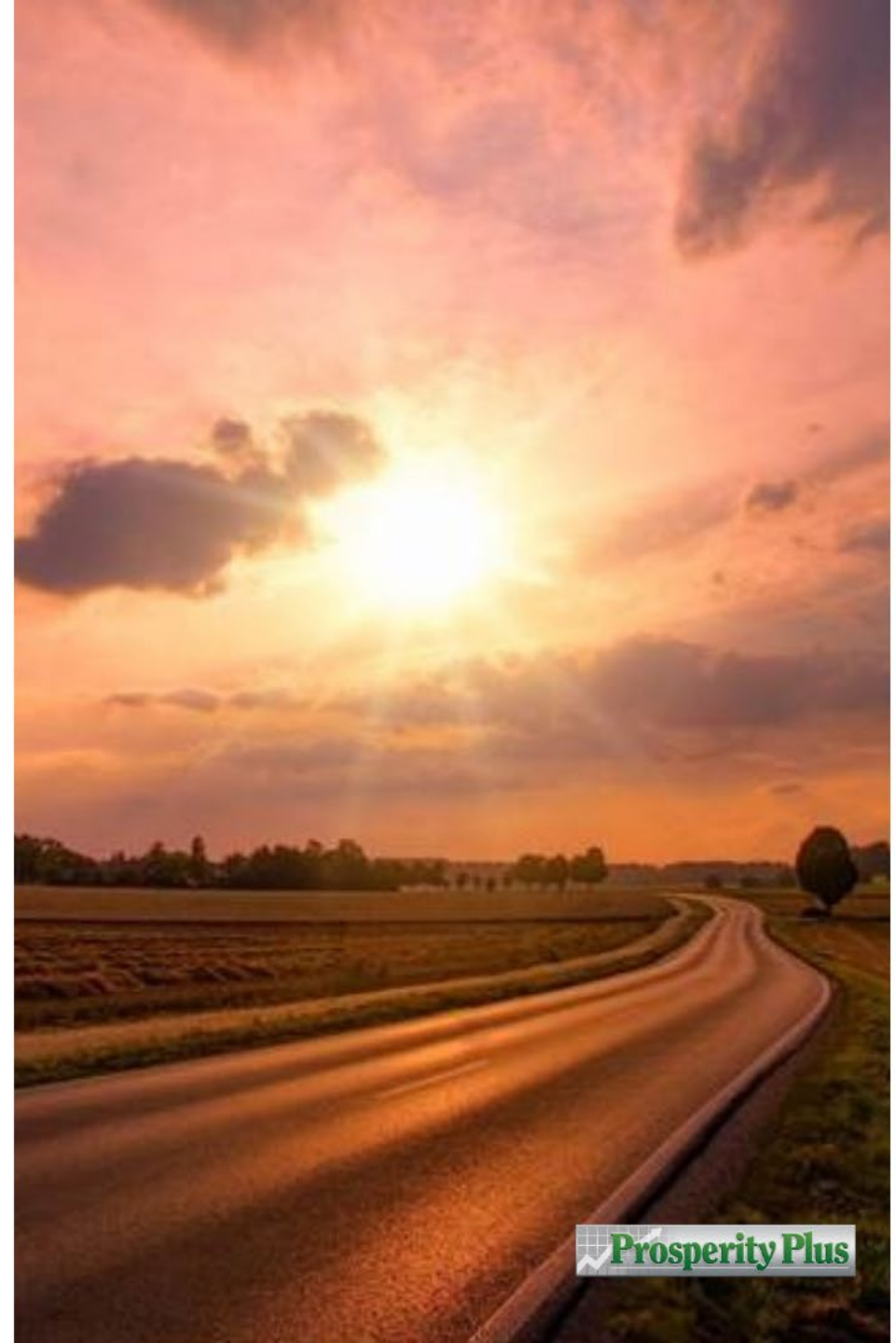
- The sale of your business is a huge transaction
- Proper planning is vital to a successful outcome
- Make time your friend. Start early
- Have strong advisory team
 - M&A advisor
 - Attorney with business sale experience
 - Accountant with business sale and tax experience

PREScore™

SO YOU'VE BUILT A SUCCESSFUL BUSINESS. NOW WHAT?

- ARE YOU REALLY READY TO EXIT?
- MANY BUSINESS OWNERS ARE UNPREPARED FOR HOW AN EXIT WILL AFFECT THEM
- A QUICK QUESTIONNAIRE ONLINE (SECURE) WILL GIVE YOU A LOOK AT YOUR OWN PERSONAL READINESS TO EXIT (PRESCORE)

GET YOUR PRESCORE TODAY



Up Next



Webinar: Thursday, April 20 at 1 PM Eastern

Understanding Your Financial Statements

Conference: May 1 – 4. Fort Myers, FL

Financial & Security Products Association (FSPA)

Update on Mergers & Acquisitions in the Banking Systems Industry

Conference: May 18 – 19. Miami

ISDA

How to Transition Your Business to Family, Employees or Sale.

And now, let's take your questions.

