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EXECU-BRIEF®
April 2022

Can You Run Your Business and Sell It Simultaneously?

By: Doug Robbins

Past Issues

Selling a business is complex enough for professional Intermediaries, can you imagine how difficult it would be for you to try to sell your own business while you're operating it?

Consider a few of the essential steps involved:

- ✓ preparing the business to be due diligence ready,
- ✓ having the correct corporate structure to minimize taxes,
- ✓ determining a reasonable value,
- ✓ finding buyers and, more importantly, qualifying those buyers,
- ✓ conducting site visits,
- ✓ negotiating for top dollar with the right terms and conditions,
- ✓ navigating the multifaceted closing process, and
- ✓ maintaining confidentiality throughout the process.

Selling your business is not only time consuming but emotionally challenging as well. The consequences of a mistake can impact your finances and most importantly, your peace-of-mind.

The sale of a business is a lengthy process, not only in working hours, but in elapsed time:

- 2 to 6 months to prepare the business for sale,
- 2 to 3 months to create the offering memorandum and to complete the research to identify prospective buyers,
- 3 to 9 months to find the best buyer and qualify that person/firm, followed by
- 1 to 3 months in terms of negotiating the transaction, with an additional
- 2 to 4 months for due diligence by the lawyers and bankers and,
- 2 to 3 months before completion.

These time-lines are estimates and are subject to the economy, pandemics and other geopolitical situations. We just completed a transaction that took 38 months from start to finish.

In terms of an owner selling their business themselves, they must realize they have to continue to manage the business for continued growth, while concurrently, investing the hundreds of hours necessary to effectively market to prospective buyers.

<u>Confidentiality is paramount</u> when selling a business. You cannot afford to have top employees, clients, or suppliers learn the business is for sale. The resulting impact can be a loss of customers, suppliers, or key employees, any one of which is devastating to the value and saleability of a business.

The task of finding a qualified buyer is vital. The time needed to do so is enormous. On average we touch base with 150 to 200 prospects for each business sold. There are many "tire kickers" out there. They will line up around the block to offer you cents on the dollar for your business.

You need to be able to effectively qualify a buyer's motivation and financial capabilities as well as their ability to carry your legacy forward. This is especially important prior to disclosing any vital information about your business.

The pressure on a business to be due diligence ready, cannot be overlooked. You can expect to have serious buyers ask questions and you must be prepared before you take the business to market. A competent Buyer, while dotting i's, crossing t's, and confirming everything they have been told thus far, is also looking to uncover information that may impact the value of the business. There are many pitfalls and common mistakes that can be made during the process. At some point a buyer will ask for and expect exclusivity; a request for you to stop marketing your company to other parties. Precious time, sometimes months, can be lost if a deal falls apart at this stage. Previous interested parties may have moved on to other opportunities while your sale, in some respects, is back to square one.

A team of external professionals is imperative to see the sale of your business through to a successful closing. Many business owners think that their current lawyer and accountant can help them navigate these waters. You will need a lawyer experienced in M&A, along with an Accountant with a significant tax team. Often the expertise of Wealth Managers, Insurance Specialists, Appraisers, HR Consultants, Psychologists, Engineers, and others are necessary. Most importantly you need an Intermediary who will negotiate directly on your behalf to keep your emotions from clouding up the transaction.

Bottom Line

Business has never been more demanding. These days many new pressures have been placed on business owners. COVID notwithstanding, supply, costs and workforce issues hamper almost every industry.

If an owner were to stop being focused on the day to day operation of their business, it is highly probable that the company will falter in some way while the owner is dealing with the time consuming issues of selling their business. The impact to the ultimate selling price can be significant.

You need to continue to do what you do best. Keep focused on running the company and increasing the market value, while letting a Professional Advisory Team work on the transition of your business.

About the Author

Doug Robbins, President & Founder of Robbinex Inc.

Doug is an internationally renowned Canadian Business Intermediary and Business Broker. He is a seasoned businessman having completed more than 1,000 assignments relating to advising clients on Mergers and Acquisitions (M&A); valuations; transferring businesses to the next generation; partnership resolutions; refinancing; along with numerous other consulting activities.

Doug has always actively supported the M&A profession through investing considerable time and energy by way of memberships, lecturing, and presenting workshops for numerous M&A organizations.

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