

Maybe, but there are a couple of things to consider:

- *What are you going to do for the rest of your life?*
- *Why would a buyer want your business?*

When I started Robbinex in 1974, the life expectancy of the Canadian male was 69. Retirement was usually at age 65. Today, depending on who you speak to, life expectancy is somewhere between 85 and 92. Are you ready to be retired for 20 or 25 years or longer?

Life after business plan??? There is just so much golf one can play. I've spoken with a number of fellows who after five or six months of playing several rounds a week, with the same group, who say it gets quite boring. Within a year, most wished they had not sold their business.

Quite often, a business owner thinks ***"I've had enough - - it's time to get out."***

What they have not done is:

- Considered the 14 alternatives selling;
- Looked at the current tax structure to reduce or avoid income and/or capital gains taxes;
- Identified obstacles to selling which could block a sale or reduce the value;
- Identified value enhancement opportunities to increase profits and value; or
- Thought seriously about what to do with an the 60 to 70 hours of free time per week.

For every 10 clients who say they want to sell now, after the completion of a **Robbinex[®] Strategic Business Assessment** only 3 or 4 are ready and positioned to sell immediately. The remainder are encouraged to consider one of the alternatives with a view of selling in 2 to 5 years or perhaps transferring to the next generation.

Most buyers we interview are looking for three things!

- Sustainability;
- Profitability; and
- Growth opportunities.

From the sustainability perspective the three most significant factors buyers are concerned with are employees, customers, and suppliers.

The employees are the most valuable, without employees there is no business.

- Their skills/certifications are critical to the business and are those skills/credentials easily replaced?
- The employees' ages; are they close to retirement?
- How long have they been with the business, and what are their relationships with customers and suppliers?

Customers are important, and the most frequent question is customer concentration. Do one or two customers represent a major percentage of the revenue and are there contracts with those customers.

Also, the gross margin of high-volume customers tend to be lower. Is there a requirement to carry inventory for customers to draw on demand? Do their buying needs change over time which results in slow moving or dead inventory?

Buyers are often concerned about suppliers and dependence of the business on a particular supplier. We once had a client with customers across Canada who depended on one supplier for 90% of their products. When we went to transfer the company, the supplier cancelled the supply contract to the company and went direct to our client's customers. The lawsuit is still pending.

Profit reliability? Most business acquisitions are valued as a multiple of EBITDA (Earnings before interest, taxes, depreciation and amortization). The buyer needs to believe they can continue to earn at that level, or higher, to ensure they can finance the acquisition and obtain a reasonable ROI (return on investment).

Questions arise during due diligence.... the average number of questions is 200 to 250. One client with revenues of only \$6.5M had 849 items to deal with during due diligence.

- Can revenues be relied on in the future?
- Are supply costs stable?
- Is the market changing?
- Are competitors growing?
- Is technology having an effect on products and services being sold?
- Is there a need to make new capital expenditures or are the facilities/equipment adequate?
- Can the lease be maintained at the current rate for 3 to 5 years after the sale is completed?

Future Growth opportunities:

Many owners as they approach the retirement years, tend to become passive and allow the business revenues/profits to stay relatively flat and not grow.

- We had a client tell us that there is a lot of growth potential in their business, and by simply hiring a new salesperson, profits could double within six months.

What does the buyer bring to the transaction?

- We sold a business that had an exclusive patented consumable product that had revenues of \$6M; sales were restricted to a radius of 600 miles. We located a buyer whose distribution network spanned the globe, and they increased revenues to \$40M within two years.

Technology is changing the way that business is conducted, are there changes that could improve the business?

- We recently sold a business whose technology was relevant to the buyer. The buyer's larger business, saw a gross profit improvement of more than 8% with the utilization of our client's software.

Bottom Line

The purpose for writing this Execu-Brief® is to simply encourage owners and their advisors to think twice before running out to find a buyer for their business. Having a third-party assessment of any impediments and alternatives can often identify an opportunity that had not been considered, along with having a viable life after business program in place.

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