

It's all in the Preparation!

Preparing for the Sale of Your Business



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A bit about me and how I can help you

- ▶ I've been there, done that
- ▶ I have purchased and sold numerous successful companies over the past 25 years
- ▶ Recent sale in 2016 was real estate company with 6 office locations and 135 team members
- ▶ I currently spend my time as a Coach and Trainer, helping others reach their goals
- ▶ I've been a Trainer since 2001 with over 1,000 speaking engagements
- ▶ www.CynthiaDeLuca.com




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Did you know?

- ▶ **26% more small businesses were sold in 2017 than the year prior!**

*According to BizBuySell.com




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And...

▶ “This may be the selling opportunity of a lifetime for business owners.”


*Quoted from CNBC



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And...

- ▶ The number of business sales is expected to continue to rise throughout 2018 until 2020 and maybe beyond.
- ▶ Why?
- ▶ Baby Boomers are retiring
- ▶ Economic growth
- ▶ Low interest rates for loans
- ▶ Crowd Funding
- ▶ Private Equity Funds



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This is a great market to buy or sell.

Are you prepared?



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Options:

1. Family Succession
2. Management Buy Out
3. Employee Stock Ownership
4. Selling Company

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Family Succession

- ▶ Pros:
 - ▶ You can still have a say in the company
 - ▶ Can be a smoother transition if done correctly
- ▶ Cons:
 - ▶ Family may not have financial education to manage co this size
 - ▶ No sweat equity from successor

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Shocking Fact

43% of family businesses don't have a succession plan in place

According to a 2016 study by the National Bureau of Economic Research

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Another Shocking Fact

Only 30% of businesses survive a family succession into the second generation

According to Entrepreneur

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Other Options...

- ▶ Management Buy Out
 - ▶ May not have an employee or key player that can do this
- ▶ Employee Stock Ownership
 - ▶ May not be viable for real estate company

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Other Option:

Sell



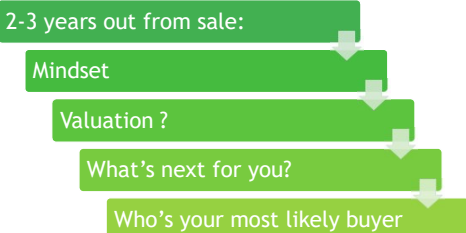
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Preparing for the Sale

2-3 years out from sale:

- Mindset
- Valuation ?
- What's next for you?
- Who's your most likely buyer



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Positioning for the Sale

Existing contracts and lengths	Cancellation of Contracts	Leases/Locations	Removing yourself out of the equation
<ul style="list-style-type: none"> Current Any new coming up (ie: lease renewals, software systems, copiers, etc) 	<ul style="list-style-type: none"> Review your documents Penalties 	<ul style="list-style-type: none"> Can they be assigned removing your liability 	<ul style="list-style-type: none"> The business needs to run and operate without the owner OR the owner now stays as an employee in that position after the sale

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Finding Your Buyer

- ▶ Who is the most probable buyer?
 - ▶ Look at your competition
 - ▶ Look at other industries that compliment your company well
- ▶ Why would they want to buy you?
- ▶ Changes that need to be made.
- ▶ Contacting potential buyers
 - ▶ Confidentiality
 - ▶ Dropping a "teaser line" to gauge interest

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Differences

- ▶ No tangible assets
- ▶ No owned inventory
- ▶ Independent Contractors can leave
- ▶ Sellers can cancel their contracts

So how do you determine value?

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What adds value?


- ▶ Goodwill
- ▶ Database
- ▶ Current inventory of listings
- ▶ Value of assets, tangible inventory (desks, phones, equipment, etc)
- ▶ Past performance

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Going Through the Sale


- ▶ Think after-what is your long term success?
- ▶ Pay out options from sale
 - ▶ All cash up front
 - ▶ Down payment with financing
 - ▶ Percentage of future business
 - ▶ Stock options
- ▶ Confidentiality



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Financials to Have Ready

<p>01</p> <p>Pull out your personal expenses</p> <ul style="list-style-type: none"> • Gas • Toilet Paper for your house • etc 	<p>02</p> <p>Transition to Shareholder Draws</p>	<p>03</p> <p>Pay yourself as an employee-so the business can afford to replace you</p>
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Closing on the Sale



Get a good attorney

They will consider things you haven't thought of
Use an attorney that has experience with a business sale



Non-compete

What if they don't hold up to their end of the bargain-then what?
Possible voids for non-compete



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Notifying Your Team

Make it clear what this means to THEM

What changes can they expect?

What will remain the same?

How will this affect their pay, bonus structures, benefits package, PTO days, etc.

What's next for them?

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After the Sale

Be available and seen by team

Full support of new ownership, even if you don't always agree with their decisions

You no longer make decisions, period...always refer to the new owner

If you are leaving the business, have a "fade out" plan

If you are staying involved in the business, keep it very clear what your new role is and what it's not

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One More Thing...



Beware of Seller's Remorse

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Thank you!

My contact info:

Cynthia DeLuca
Business Coach and Mentor
386.747.3445
cyndeluca@gmail.com
www.CynthiaDeLuca.com



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