



YOUR ULTIMATE GUIDE TO
**ACHIEVING AN
OPTIMAL OUTCOME
WHEN SELLING A
BUSINESS**

DIVEST • MERGE • ACQUIRE

TONY BROWN

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Introduction

There are many ways for business owners to transition out of their businesses.

This guide describes many of the options available to owners to help optimise their overall outcome when selling their businesses.

Author

Tony's journey began in 'Big 4' accounting. After qualifying as a Chartered Accountant, Tony moved into commerce, taking several managerial positions overseeing operations in various multinational corporations across a range of industries, from manufacturing and hospitality to primary production.



Tony Brown - Advisor

After over a decade working with a global building products manufacturer, Tony left his position as General Manager to found Supertrac in 1999.

Naturally, his corporate experience proved a great fit within the \$1M – \$100M+ market of business owners and investors. Tony recognised how underserved this segment was, being too small for the fees of larger corporate finance firms, yet too complex for small-scale brokers.

Tony has personally guided hundreds of business owners, investors and listed companies totalling over \$1Bn in business value, through exit and acquisition processes. His impressive track record is a direct result of his unique breadth of experience over more than 35 years, spanning numerous industries and roles from senior management positions in multinational corporations, to corporate finance and accounting.

Tony's personal quest is to not only assist business owners sell their businesses and investors to buy them, but even more importantly, to educate business owners and professional advisors around the world all about the process of selling their businesses or buying new ones – helping them to make better decisions.

Options For Selling Your Business

When selling a business it's important to understand who the buyer will be.

Business owners who want to maximize their outcome when selling a business need to understand the motivations of prospective buyers and the dynamics of the markets in which they operate.

We have divided prospective buyers into 4 categories, including:

1. Buy-a-job buyers & Private investors
2. Private corporations
3. Private equity funds
4. Public companies

Options For Selling Your Business

#1 Buyers: Buy A Job Buyers & Private Investors

In this video, we discuss buy a job buyers and private investors.

Click here to watch the video > [Buy a Job & Private Investors](#)



Options For Selling Your Business

#2 Buyers: Private Corporations

In this video, we discuss buyers in medium and large private corporations.

These private corporations are part of the Business to Business (B2B) market. This market usually consists of smaller industry players being progressively acquired by larger industry players.

Click here to watch the video > [Private Corporations](#)



Options For Selling Your Business

#3 Buyers: Private Equity Funds

Understanding Private Equity Funds' investment criteria is essential to achieving a win-win outcome when selling a business to these investor groups.

We outline their criteria in this video.

Click here to watch the video > [Private Equity Funds](#)



Options For Selling Your Business

#4 Buyers: Public Listed Companies

Publicly Listed Companies get extra benefits from acquisitions. Understanding this can unlock great outcomes when selling your business.

Publicly listed companies operate with a different set of business dynamics to private companies. Understanding their motivations is essential to optimizing your outcome when selling a business.

Click here to watch the video > [Publicly Listed Companies](#)



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Options For Selling Your Business

Transitioning Out Of The Business

There are many ways for business owners to transition out of their businesses.

Although most business owners assume they CAN and SHOULD make a clean break, that is not easily achieved and it may present problems for everyone.

When business owners decide to sell and retire, they don't necessarily want to stop working instantly and completely, and it may not be good for them to either.

In the video below, M&A advisor Tony Brown explores a good way for owners to transition out of their businesses to achieve the best possible outcome for themselves, the new owners, the employees and for the business itself.

Click here to watch the video > [Transitioning out of a Business](#)



Options For Selling Your Business

Selling Your Business To Your Children

Many owners of family businesses expect to sell or transition their business to their children on retirement.

If this sounds like you, then you may be surprised to hear that while many owners would like to sell to their children, in reality only about 20% will be passed on to their next generation.

In this video, we'll cover the pros and cons of selling to your children.

Click here to watch the video > [Selling to Your Business to Your Children](#)



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Preparing Your Business For Sale

How Long Should It Take To Sell Your Business?

Business owners usually want to know how long the sale process may take.

To explain how long you should allow to sell your business, the process is broken down into steps. These steps and the timeframe are explained in detail in this video.

Here are the key steps that explain how long it should take to sell a business.

1. Sale Preparation
2. Document Preparation
3. Marketing
4. Offers Received / Negotiations / Completion

In this video we explain how long it should take to sell a business.

Click here to watch the video > [How Long Should it Take to Sell a Business](#)



Preparing Your Business For Sale

How To Retain Key Employees During A Business Sale

Losing staff key staff can not only cripple a business but destroy your chances of selling.

When selling a business, consider that the sale process can destabilize your team. If not handled well, this can lead to losing key team members. Fear of this happening can paralyse a business owner from taking any action towards selling, rendering the owner a prisoner in their own business too scared to sell in case it triggers an exodus of customers and staff. Fortunately, there are a few simple strategies that can not only reduce the risk, but increase the overall value for any buyer.

In this video, we'll run through HOW to avoid this by not only retaining your key staff during a business sale but getting their help in the process.

Click here to watch the video > [How to retain key employees during a business sale](#)



Preparing Your Business For Sale

When To Tell Employees You Are Selling And How To Do It

One of the first things owners worry about after deciding to sell their business is when (and how) to tell employees. How this is handled can dramatically affect the outcome for everyone...

Getting it right can set up a smooth process and great outcome, but getting it wrong may not only derail the sale process, but also the business!

Click here to watch the video > [When to tell Employees you are Selling and How to Do It](#)



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How To Value A Business

Valuing A Big Business – Greater Than \$1 Million

Everyone who sells their business wants to know how it's valued. Here we explain valuing \$1M+ businesses & include a free business valuation calculator.

[Click here](#) to download the Business Valuation Calculator.

A surprising number of business owners who have worked in their businesses and owned them for many years, even decades, don't know how businesses are valued, let alone how much their business is worth and how to optimise their overall outcome in the sale.

In this video, we explain the valuation principles most buyers use for \$1M+ businesses and show examples of works in practice.

Click here to watch the video > [Valuing \\$1M+ Businesses](#)



How To Value A Business

Valuing A Small Business – Less Than \$1 Million

The majority of businesses are valued at less than \$1M, here we explain valuing a small business...

The vast majority of businesses are worth less than \$1M. In fact, 95% of all businesses are in this category, typically they employ fewer than 10 people and are affordable by most aspiring individual business owners.

The key to knowing how these businesses are valued lies in what those aspiring buyers see in the business. Usually, they expect to work in the business and earn both the business profit and owner's wages. We call this the buy a job market.

In this video, we explain valuing a small business in this market.

Click here to watch the video > [Valuing a Small Businesses](#)



How To Value A Business

How To Select The Right Profit Measure

Business owners preparing to sell often discover profit measures for the first time, even though they are critical when selling a business.

There are several terms relating to profit measures, including Net Profit Before Tax, Net Profit After Tax, Net Profit to Proprietors, EBIT and EBITDA.

In this video, we will explain what these terms mean and draw distinctions between the various forms of Profit used when valuing a business.

Click here to watch the video > [What Profit to Use](#)



How To Value A Business

How To Maximise Your Business Value By Adjusting Depreciation

The lower the real depreciation, the higher the profit and the higher the value, maximizing your business value.

Actual depreciation is usually higher than the real depreciation applicable to business fixed assets. Replacing actual depreciation with a lower provision for capital replacement usually increases the true profit and therefore your business value.

In this video we explain how adjusting for real depreciation can lead to maximizing your business value.

Click here to watch the video > [Adjusting Depreciation to Maximise Business Value](#)



How To Value A Business

What Is Working Capital & Why Does It Matter?

What is working capital & why does it matter?

There is a lot of confusion about the treatment of working capital when selling a business. Working capital features in business valuations, sale price allocation and sale adjustment calculations, to name just a few.

Most business owners and even some advisors don't understand how working capital can impact on the goodwill of a business and how it is accounted for in the context of a business sale. The consequences of not knowing can be dramatic, with owners giving away substantial value without even realizing it.

We have created several videos on this topic with the first one below.

Click here to watch the video > [Working Capital 1 – What is it & Why it Matters](#)



How To Value A Business

Accounting For Working Capital During A Sale

Here is an explanation of how and why you should be accounting for working capital during a sale process.

Click here to watch the video > [Working Capital 2 – Accounting for Working Capital](#)



How To Value A Business

Optimising Your Working Capital For Sale

We explain how to optimize working capital to maximize the outcome during a business sale. The aim being to clear up any misconceptions and explain how optimizing working capital can benefit the exiting owner.

Click here to watch the video > [Working Capital 3 – Optimising for Sale](#)



How To Value A Business

How To Handle Declining Profits During A Sale

It is surprisingly common for businesses to perform poorly during a sale process period. What can you do if during the sale process the current year isn't going so well?

In this video, we'll explain ways to help overcome this very inconvenient issue so you can continue with your sale process without having to abandon it until the next upturn.

Click here to watch the video > [How to Handle Declining Profits During a Sale](#)



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Choosing Business Advisors

If you are selling your business after many years of working in and on it, it makes sense to choose the right advisor/broker by taking a few simple steps:

1. Ask your trusted business advisor

This normally means your accountant. They are usually dealing with M&A advisory firms in the course of their careers advising their clients. If they don't know a reputable M&A advisory firm, they can easily tap into their business networks to find one or more.

Almost all of our clients are referred by their accountant, banker, lawyer or a trusted colleague.

2. Contact the firm and talk to an advisor

Ask them to send their information through explaining what size and type of businesses they sell and how they do it.

3. Look for answers to these key questions:

- Does the firm have a record of successful transactions of comparable size?
- Are the key advisors suitably qualified and experienced?
- Will the advisor personally oversee the project?
- Does the firm understand, respect and manage client confidentiality?
- Does the firm hold the appropriate licences?
- How does the firm source target purchasers?
- Will the firm professionally present the business opportunity?
- How well does the firm communicate with clients?
- How well does the firm cooperate with other professional advisors?
- Will the firm provide an indicative valuation before the client commits?
- Does the firm manage the full process to completion?

Choosing Business Advisors

4. Understand your target market

Bearing in mind that 95% of businesses have fewer than 10 employees and only 5% are likely to be \$M+ businesses, you need to choose a firm that handles either the 95% or the 5%, depending on where your own business sits. This is very important as they are marketed in very different ways.

We've created several videos that cover some other topics relating to choosing an advisor.

Choosing Business Advisors

Should You Go Exclusive And Why?

Why do most M&A advisory firms require exclusive engagement agreements to sell your business? What are the differences over a non-exclusive engagement? And, as a seller, should you agree to it?

These questions are often asked by business owners, and it's no surprise... The decision must be made early on in the process, but is often critical to a successful outcome.

Click here to watch the video > [Exclusive Engagements should you or shouldn't you?](#)



Choosing Business Advisors

Choosing A Lawyer

The sale of a business is one of the most important events in a business owner's life. It must be handled properly and requires a strong team of accountant, M&A advisor and lawyer.

The choice of lawyer can make or break the deal, and can cost a lot of extra money if the deal is bungled.

In this video, we'll set out some key criteria lawyers should meet before earning the privilege of acting for you on your big transaction.

Click here to watch the video > [How to choose a Lawyer](#)



Choosing Business Advisors

How The Best M&A Advisors Do It

Having the right business sale advisor manage the sale of your business is critical. Here we outline the steps on how the best advisors do it...

No matter how good the business and how well prepared the owner is, having the wrong people running your process will affect the outcome.

In this video we'll run through steps the best business sale advisors take to ensure a smooth process and optimal outcome for their client.

Click here to watch the video > [How the best M&A Advisors Do It](#)



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Maximising Value

There are a number of things to consider when maximising the value of your business sale.

How To Increase Business Value With Performance Based Earnouts

Requiring all your money up front doesn't always get you the best overall outcome when selling your business. To maximize the outcome, it often helps to agree to a performance based earnout.

Many business sale transactions are structured with earnout provisions, particularly in the mid-size business market. There are many reasons why building in an earnout structure might be mutually beneficial.

In this video we'll explain what an earnout is and run through the 5 main benefits of having an earnout structure as well as 5 potential downsides you should consider.

Click here to watch the video > [Maximise Business Sale Value with Earnouts](#)



Maximising Value

How To Maximise The Sale Price & Retain Part Ownership

Retaining equity in your business can benefit everyone.

In this video we'll show how owners can easily get MORE when selling their businesses and all while increasing value and de-risking the acquisition for buyers.

Click here to watch the video > [Maximise the Sale Price of your Business](#)



Ready to Sell or Start a Conversation? [Contact Us Now](#)

Marketing Your Business

Business Opportunity Marketing: Why So Few M&A Advisors Get It Right

The holy grail of business opportunity marketing is to quickly and efficiently reach large numbers of target investors. With the right strategy and resources, this can be far simpler than most advisors expect.



Target investors are those who place the most strategic value on a business, with the lowest level of associated risk. As a result, they are often more committed to a process, and are likely to pay more than buyers without a strategic interest (i.e. general investors who attach no strategic value and are therefore more focussed on return from a standalone business).

Examples of target investors include:

- Existing industry players: Larger competitors, or those of a similar size with the capacity to fund an acquisition and who can leverage off customers, suppliers, technology, distribution channels etc.
- Private Equity firms: Currently participating in, or looking to enter the industry. PE Firms often have a wider agenda in mind than just one firm, reducing their portfolio risk and adding strategic value to each acquisition.

Marketing Your Business

The benefits of targeting strategic investors in large numbers are obvious:

- Creates a competitive process where a strong contingent of prospective purchasers respond and are considering the opportunity simultaneously;
- Generally attracts more sophisticated, experienced buyers – critical to a smooth transaction;
- Clients can clearly see how effective the marketing has been and can more confidently accept the ensuing negotiations and offers as being representative of the market.

The result usually transfers into receiving a greater number of reasonable offers that the vendor is prepared to accept, so a deal is more likely to be done.

Despite this, surprisingly few M&A advisory firms seem to have risen to the challenge and invested in effective capabilities to reach their targets.

Let's look at some of the alternatives available to marketers of business opportunities.

Click here to read the full article> [Why so few M&A Advisors get it Right](#)

Ready to Sell or Start a Conversation? [Contact Us Now](#)

After The Sale

A client and friend recently said “You prepared me well for the sale and what would be involved, but I wasn’t prepared for what came afterwards.” You are not alone! This article is our way of helping others. People don’t realise how integrated their business and lives have become, how it has shaped their identity and place in society, until they step out of the role that has become them. “Fish discover water last.”

A recent article in the AFR Magazine (called 2nd Act) highlighted the need to have made plans for after your business has been sold. Some excerpts:

- *“I felt like I had sold my baby...and that my identity...had gone. I wasn’t sure who I was any more...”*
- *“What on earth am I going to do next?”*
- *“It’s an exciting – not frightening – time, learning how to do nothing again.”*
- *“I’ve been on the hamster wheel for so long, it feels like I’m in recovery after a bad accident. What I want now is a simple existence, where the days do drift away.”*
- *“..suffering limelight deprivation, missing being in the media spotlight and at the centre of attention.”*

- *Then some advice from those who have been there:*
- *“The key with all businesses, especially if they bear your own name, is to make sure you have a business entity that is separate from yours...so it is not you that is being sold, but just your business.”*
- *“For many families, selling or losing a family business they have inherited is a huge issue, mainly because their identities have been wrapped up with being in that family business since they were born.”*
- *“...the key to successfully parting company with your company...is to be taking time – a decent break to get through the trauma, disengage from the old and conceive new possibilities.”*
- *“take a few months off to put time between it all.”*
- *“The most important thing is to give myself time to find my feet again; to work out the point of it all.”*

After The Sale

- *“The greatest luxury in life is being able to stop whatever you are doing whenever you choose.”*
- *“You can always count how much money you have, but you can never count how much time you have left. Having time is the most precious thing of all.”*

Most of our clients, once on the other side, have so much more going on in their lives that they wonder how they ever had time for work!

Our best advice to anyone lucky enough to have both the resources and time available is to make some contribution goals.

The most satisfying achievement of all is in being a contributor, making a big contribution to society; The reward is referred to as “the magnificent pay-off”.

Focus on what you can give. So, how about making the world a safer place. That should keep you going for some time.

After all, “It’s better to burn out than rust out!”.

Ready to Sell or Start a Conversation? [Contact Us Now](#)

Conclusion

Can We Help You Sell Your Business?

We've been helping business owners realise the most from their business sale since 1999. If you are thinking about selling your business, please feel free to contact us on 1800 700 111 or ask@divestma.com for a free no obligation chat.