

STEPS IN SELLING A BUSINESS	What DEALMASTERS can do for YOU
<p><b>DECISION TO SELL:</b></p> <p>Apart from the emotional issue, selling your business is a long and complicated process (see below). You cannot just “test the waters” to see what happens, or start the selling process without being thoroughly prepared and committed.</p>	<p>We need to be convinced that you are committed to sell your business. If the commitment is not there, we cannot accept an engagement from you.</p>
<p><b>TIMING:</b></p> <p>If you have a choice with regard to timing, the best time to sell your business is when it is mature and profitable but still growing - and the general market conditions favourable. It is possible to sell a business which has started to decline (even one which is losing money) and in unfavourable market conditions, but in such conditions the buyer has the upper hand. Keep in mind that there is no such thing as a “quick sale” when it comes to businesses – so, start planning an exit strategy early, preferably when you still do not <u>need</u> to sell your business. Take into account your personal circumstances, the stage in your business’s life cycle (yes, businesses too have ageing problems) and the general economic climate. Think strategically, think two to three years ahead!</p>	<p>Timing is often imposed by succession, family, financial or health issues. For others, it’s just time to move on, change lifestyle, maybe start another business. We cannot determine the timing of your decision, but we do advise you to make the decision before it’s imposed upon you, as a sale may take from a few months to a couple of years.</p>
<p><b>REASON TO SELL:</b></p> <p>What’s your motivation for selling and how do you explain this to prospective Buyers? This is the first question buyers will ask! A wrong phrase at this stage, may alienate an otherwise willing buyer.</p>	<p>We advise you on how to communicate your motivation in a straightforward manner; how you present your case is just as important as being truthful</p>
<p><b>THE DAY AFTER:</b></p> <p>What do you want to do after the business is sold? Are you willing to stay on for a reasonable hand-over period? Stay on long-term as a Manager or Director? Are you willing to retain a minority stake in the business? Are you willing to sign a Non-Compete? Will you want to start or buy a new business?</p>	<p>We will explain your options, the pro’s and con’s in each case and help you finalize your decision. Buyers are suspicious of Vendors who just want to cash-out and then go on holiday!</p>
<p><b>DEAL STRUCTURING:</b></p> <p>Determine what type of deal you will accept. Most sellers prefer an all-cash-upfront sale, but you must be ready to negotiate, because such a sale is the last thing buyers want! Will you accept an Earn-out or Deferred payments? Part payment in kind? Are you willing to sell a majority instead of 100%? If the business operates out of its own premises, do you want the real estate to be sold together with the business, rent it to the new owners, or take it out of the business and sell it separately?</p>	<p>We will advise you throughout the negotiation process and explain the implications of each choice; even when there is agreement on the value of the business, closing the deal may not be achieved if there are big differences in deal structuring.</p>
<p><b>TARGET BUYERS:</b></p> <p>Do you know what type of Buyers are most likely to be interested in <u>your</u> business? For example, an individual who wants a small business to own, manage and make a living, has different requirements from a wealthy investor who does not want to manage the business personally. Then, there are lifestyle investors, strategic/corporate buyers and institutional investors. All these may be locals, from another region in your country, from a foreign country, or emigres who want to repatriate. An international promotion is usually advisable, as it enlarges the list of target buyers substantially and reaches buyers in countries where the economy may be in a much better shape than your region.</p>	<p>If you do not know who to target, you may waste a lot of time and effort going in the wrong direction – or sell your business for less. With our knowledge of business sales, corporate acquisitions and international network, we can advise on what type Buyers to target and in which countries.</p>



<p><b>PROMOTION:</b></p> <p>Based on the type and country of Buyers targeted, plan your promotional campaign – different target buyers require different strategies. The main challenge is what media to choose, especially if you plan to promote abroad, where the biggest market may be. You may also be handicapped by the fact that, especially in the case of corporate buyers, the only way to “open doors” and make a direct approach is through professionals or agents who have access to the decision-makers. You also have to decide at this stage, whether to approach competitors, clients or suppliers. In many cases, these are the most likely buyers; but on the other hand, it is a very sensitive issue. Overall, the “do-it-yourself” approach works best if you already know who the likely buyers are and have direct access to them. Even then, it may be advisable to retain an agent to make the first approach.</p>	<p>We will devise promotional strategies, discuss with you and finalize. We can cast a very wide net, through all channels and methods, locally and internationally (e.g. database of buyers, our website, internet ads, print ads, our network of associates). Or, we can focus on specific targets and orchestrate a direct and discrete approach to them. Or, a combination of both. <u>We promote continuously and for an indefinite period, through the channels and methods agreed, until your business is sold.</u> Finally, note that we can approach any prospect and keep your identity confidential – something you cannot do if you approach prospects personally.</p>
<p><b>FINANCIALS &amp; OPERATIONAL DETAILS:</b></p> <p>Prepare Accounts of your business for at least the last three years. <u>This is a must.</u> No business can be sold without up-to-date financials. Also, any other operational information that will help present an accurate and favourable picture of your business, especially information which shows that your business has growth potential (e.g. excess capacity, market growth, repeat clients, etc.).</p>	<p>We will want to go over your accounts from the first visit and understand the value drivers and growth potential of your business, so we may advise on what operational details must be emphasized.</p>
<p><b>DOCUMENTATION FOLDER:</b></p> <p>It’s best if you prepare a folder with all business documents: This should include at a minimum the following:</p> <p>First, an one-page Profile with a brief business history, its management/principals, short descriptions of the main lines of business, offices and/or facilities locations, market share, main clients, main competitors, competitive advantages and growth prospects. Then copies of Company Registrar Certificates, Financial Statements, Rent/Lease Agreements, List of major assets (property, equipment, machinery, vehicles), Property Titles, Licenses, Permits, Standards certificates (ISO, HACCP and the such) and, if you have them, Property Valuations and a Business Valuation.</p>	<p>The success of our promotional effort will depend, to a large extent, on the quality and amount of information available. This is especially true for overseas buyers who will not bother to make the trip to view your business, unless they are satisfied that all that could be done from a distance, i.e. by phone, e-mail or mail, has been done. If you have not prepared a folder with all business documentation we will ask you to prepare one. We do not release any information unless a Confidentiality Agreement is signed first and (where possible) the recipients’ background checked.</p>
<p><b>VALUATION:</b></p> <p>The question “How much is my Business worth?” is usually the first one asked. Each business is different and for the same business the value to the owner is one thing and the value to the buyer another – and again, this depends on the type of buyer. So, because Valuation is not an exact science, it is always advisable to have a negotiating range in mind. There are many different valuation approaches but the three main ones are: The income approach, which is based on the future cash flows of the business; the asset approach, which is based on the value of the business assets; and the market approach, which is based on the sale prices of comparable business. There are many other valuation methods, but at the end of the day it’s matter of how much you are willing to accept and how much the buyer is willing to pay.</p>	<p>First, we cannot address the question of Valuation before going through most of the steps above – especially the “Target Buyer” and “Financials &amp; Operational Details” issues. If you own a large business it is advisable to engage a qualified Financial Analyst to perform a formal Valuation, always using at least three different methods. We do not provide formal Valuations, but we can advise on what is a reasonable price range based on the information provided by you and our knowledge of the market.</p>
<p><b>RE-CASTING OF FINANCIALS:</b></p> <p>Standard format (IFRS) accounts are a must, but depending on the type of Buyer and the size/type of your business, you may need to provide additional and more detailed financial reports. You may also need to re-cast your accounts so they are suitable for a buyer or investor and not just the taxman.</p>	<p>We will advise on the format of any additional financial reports, but a qualified accountant (or your in-house accountant) should prepare these for you.</p>



<p><b>EXECUTIVE SUMMARY/INVESTMENT MEMORANDUM:</b></p> <p>Corporate sellers will need to prepare a professional Investment Memorandum and Executive Summary, which we will distribute in private to targeted buyers, our associates and select placement agents abroad .</p>	<p>We can advise on the structure, content and size. We can also refer clients to suitably qualified professionals and supervise their work on your behalf.</p>
<p><b>CONFIDENTIALITY IN PROMOTION:</b></p> <p>This is always a balancing act: the less information you make publicly available, the less likely it is that a prospective buyer will take interest in your proposal, simply because it is not clear to him/her. On the other hand, you may not want your staff, competitors, clients, or even friends &amp; relatives, to know that you are selling the business. You also do not want to be flooded with inquiries from people who are just curious, but have no intention of buying (“time-wasters”).</p>	<p>We always aim to provide sufficient information to attract the right kind of buyer without disclosing the identity of the business. We also screen all inquiries and only notify you when we have real interest for a sale. We discuss confidentiality issues at a very early stage with our clients and mutually agree on the suitable balance.</p>
<p><b>CONFIDENTIALITY IN FURTHER DISCLOSURES:</b></p> <p>Once you made contact with a possible buyer, then the process of disclosures begins. How much information you give and at what stage, is always a difficult question. On one hand, a bona fide buyer needs detailed information based on which to make a decision – often sensitive and confidential information. On the other hand, you do not want to make any unnecessary disclosures before you are reasonably assured that the sale will be achieved. Fortunately, there are well established and commonly accepted procedures which address this issue. They entail the use of Confidentiality Agreements, Letters of Intent, Term Sheets (or Heads of Agreement), Representations, Escrow Accounts, Due Diligence procedures and other “tools of the trade” which are best left to professionals.</p>	<p>Once we have screened an interested buyer, we always request he/she signs a Confidentiality Agreement (at this stage, most of the “time-wasters” disappear!). Only then do we disclose names and financials. If there is serious interest, we arrange for a first meeting between buyer and you. After that, if detailed negotiations proceed, we will advise on procedures depending on the size and complexity of the transaction. At this stage, clients should retain the services of a Legal Advisor, preferably one who specializes in corporate law.</p>
<p><b>BUYER FINANCING:</b></p> <p>What can you do if the buyer has agreed to buy your business and needs to finance part of the acquisition cost but is having difficulties obtaining a Bank loan or other type financing?</p>	<p>This is the only case where we may accept an engagement by the buyer. Our ability to source financing for the buyer will help you close the deal and also maximize cash you receive upfront.</p>
<p><b>CLOSURE:</b></p> <p>Defined as the signing of final and irrevocable sale agreements (not necessarily the day that you collect all the sales proceeds). All agreements should be drafted and/or reviewed by your Legal Advisor.</p>	<p>After several months work involving hundreds of telephone calls, emails, meetings, false leads, etc. etc., we would definitely not miss such a happy event. Plus, this is payday for us!</p>
<p><b>COST:</b></p> <p>If the question of Valuation comes first, then the second question is usually “How much is your commission?” <u>Wrong question!</u> What needs to be compared is <b>the cost</b> of:</p> <p><b>A. The Do-it-Yourself approach:</b>  How much shall I pay for advertising?  How effective will my promotion strategy be?  Will I be able to identify and approach overseas buyers?  How much time shall I spend on “time wasters”?  What is the cost of spending more time to sell my business, instead of managing my business?  What if suppliers, clients or employees find out that I am selling the business?  What is my cost if I make mistakes in negotiations?  Ultimately, what is the cost of failure?</p> <p><b>VERSUS, the cost of:</b></p> <p><b>B. The “let the specialists do it” approach (see right column):</b>  Results are not guaranteed, but the chances of <u>achieving a sale faster and at a higher price</u>, are much higher. We firmly believe that these faster and better results also come at a lower overall cost to you, than the <i>Do-it-Yourself</i> approach.</p>	<p>Dealmasters provides <u>all the services outlined above</u> at a nominal once-off Registration Fee and a back-end Success Fee (commonly: commission).</p> <p>The Registration Fee covers only a small fraction of our cost and is much less than what a consultant (or several consultants) would charge for the services we offer our clients from the day we have the first conversation to the day the business is sold. There are no other fees or charges until the business is sold, even if our engagement is renewed.</p> <p>The Success Fee varies according to several parameters, mainly the type of engagement (Non-Exclusive engagements command higher Success Fees), degree of Confidentiality in Promotion (more Confidentiality means higher Success Fees, since promotion is more difficult) and Asking Price (unrealistic Asking Prices command higher Success Fees, simply because our task is much more difficult).</p>