

WHEN NOT TO HIRE A BUSINESS BROKER



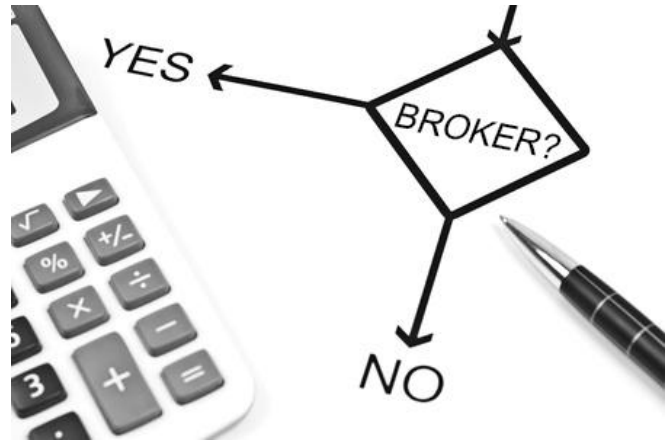
ENLIGN ADVISORS
MERGER AND ACQUISITION SPECIALISTS

WHEN NOT TO HIRE A BUSINESS BROKER

Many words have been written about why you should hire a business broker (including by me) but when I searched online for why not to hire a business broker every article on the first several pages (save one that I wrote in 2011 and had forgotten about) was why a business owner should hire a business broker or questions to ask one before hiring one.

In this article I explore some of the reasons a business owner should go it alone and not retain a business broker.

Answer these questions and keep a tally of your answers.



- *Is the business more than about two years old?*
- *Can the business run effectively for an extended period without you?*
- *Do you have accurate up to date financials?*
- *Have you reported all income to State and Federal agencies?*
- *Is the majority of your business spread among many customers?*
- *Does the business generate more than \$50,000 of annual net profit?*
- *Is it hard to start a similar business (expense/time/skills)?*
- *Have the sales been stable or gradually increasing?*
- *Would you describe your employees as loyal and committed?*
- *Are you able to easily make payroll?*
- *Would you buy this business knowing what you know about it?*

If you recorded more than 2-3 “no” answers you may want to consider foregoing a business broker. If you answered “no” to either of the last two you may need to consider attempting to sell at all. Too many “no” answers and the broker, no matter how experienced, doesn’t likely have enough to work with to effect a successful transaction at a price that can be justified.

So, if hiring a broker isn’t the right course, the what is?

My advice would be to have a business valuation completed so that you have a clear idea what the fair market value of the business, related assets, and inventory are worth. Cost from \$1,000 up. My firm charges \$2,500.

Market the business as a FSBO (for sale by owner). The most effective way to do this in my opinion is to get an account at www.bizbuysell.com and complete the listing template. You will get a lot of exposure at a reasonable price without having to monitor and maintain a dozen or more listing sites like most brokerage firms manage.

When you receive buyer prospect inquiries understand that most have not ever owned a business, much less purchased a business. Step one should be financially qualifying the prospect. If they don't have the money required for a down-payment it's a waste of everyone's time. Ideally they can get a prequalification letter from an SBA lender. It's also usually critical that they already live near the business. The fact is people very rarely move to purchase a small business.

Be prepared to provide profit and loss statements, balance sheets, tax returns, an asset list, and any information about inventory. Be prepared to talk about why you are selling, operations, cash flow, customers and vendors.

If the business has issues disclose them early in the conversation – they will be discovered and better that you raise them.

Require that the buyer have a transaction attorney (not just "an" attorney) draft the letter of intent and the definitive purchase agreement. Have a transaction attorney review on your behalf. Don't get cheap here. Insuring that what has been agreed to is what has been papered is extremely important. Remember it's not what you get, it's what you get to keep. You and the buyer are the decision makers. The attorneys are present to provide legal counsel so that YOU can make informed choices.

Any Seller or Owner financing should be personally guaranteed by the buyer and their spouse. The Sellers attorney should additionally file a UCC for the business assets being transferred.

There are many moving parts in any business transaction. If you feel that the process becomes overwhelming or that it is consuming too much of your time consider retaining an advisor that is willing to work for a reasonable hourly or up front flat fee. As they say "The thrill of low price is quickly forgotten when the reality of poor quality is realized."

Jeff Snell, M&AMI, CBI, ABI is the founder and Principal Broker of ENLIGN Business Brokers, a member of the International Business Brokers Association [IBBA] where he services as the Credentialing Chairman and a member of the Merger & Acquisition Source [MAS] where he service on the Credentialing Committee. He is also accredited by the American Business Brokers Association as an Accredited Business Intermediary [ABI]. He can be reached at (919) 624-1124 or jsnell@enlign.com.