



## **Professional Help: The Role of the Business Broker**

All business owners need to plan for the sale of their business. Most owners do not have experience in selling a business and should not take time from running their business to manage the sale process as it is very time consuming. Buyers want to see a vibrant, growing business that often requires all the efforts of the owner. A plan developed with the assistance of professionals will produce the best after tax value for the owner. An accountant will assist in the financial analysis and in properly structuring the transaction to minimize tax obligations. A lawyer will protect the owner's legal interests and prepare the appropriate documents. A business broker will assist in establishing price and terms, marketing the business and coordinating inquiries, letters of intent, and the final transaction.

### **Price and Terms:**

The broker should use a valuation methodology proven in the marketplace. Inputs should include not just financial information but also factors affecting future profitability and growth including industry structure, human resources, marketing, environmental issues, efficiency, technology and trademarks, patents and copyrights. The broker should advise on issues such as size of down payment, types of financing including typical bank facilities and the possible requirement for seller financing.

### **Marketing:**

The business broker should prepare an accurate offering prospectus and present this to qualified potential buyers. The broker should also present the business in various electronic media. The objective should be to attract multiple buyers to ensure best value in a negotiation. Marketing the business to find the right buyer can take a time frame of six to eighteen months.

### **The Sale Process:**

The broker should coordinate the exchange of information process resulting in minimum impact to the owner. The sales objective should be to bring in only qualified buyers who have seen enough information to be seriously interested in buying the business. Transactions can be complex and often involve a number of people covering various aspects. The business broker should coordinate all these efforts to keep the ball rolling and achieve a successful completion in the minimum time.

### **Confidentiality:**

The business broker must maintain strict confidentiality throughout the process. Business information disclosure should only be made to qualified buyers once they have signed a confidentiality agreement. Business value can be lost if customers, employees or suppliers become aware that the business is on the market.

### **Broker Selection:**

How do you find a good business broker? Talk to owners who recently sold their business, ask your accountant and your lawyer for a recommendation. Find a specialist - ask for references. How long have they been in business? How many businesses have they sold? What is their success rate at what price and terms? Do they have a proven valuation methodology? Have they sold businesses similar to yours? Are the businesses still around? How will they market the business? Where do they find their buyers? Does the broker have a business background?

Using qualified professionals ensures that the sale price of a business is maximized and that the goals of the seller are met.