DOWNLOAD PDF THE BUSINESS SALE.AN OWNERS MOST PERILOUS EXPEDITION

Chapter 1 : Mark Gould: used books, rare books and new books @ calendrierdelascience.com

An Owner's Most Perilous Expedition provides practical steps to navigate an owner through the uncharted journey of selling a business. Written by experienced merger and acquisitions professionals, this book offers insider information on the journey to a successful business sale.

The Big Idea For most owners, the business sale, merger, or acquisition process is a mountain of uncertainty. The right guide is critical for maximizing the selling price and minimizing the risk. Written by experienced merger and acquisitions professionals, this book offers insider information on the journey to a successful business sale. This book gives owners a greater understanding of the process and the ingredients that go into a successful business sale. Why You Need This Book This book will give owners a greater understanding of the process and the ingredients that go into a successful business sale. It reveals tactics to help sellers: Strategic Fit means synergy between the purchasing entity and the seller. This could take many forms, but a few examples include product, distribution, geographic, and management synergies. Product synergy occurs when the purchaser and seller have complementary products that, when combined, create greater value. Understanding the Process of selling a company is a vital component to a successful divestiture. Despite the success of many companies, most owners do not fully comprehend all aspects of a business sale transaction. Conversely, an intermediary handles several business deals daily, so they are experienced in all aspects of business sale activities. Creating Multiple Options relates to the ability to orchestrate and manage several buyers at the same time. The classic mistake a business owner makes when selling his business is dealing with one interested party at a time. Communication and Negotiation is the foundation of every deal, but contrary to popular belief, it is not the only step that matters. This is by far the most common stumbling block of most business owners. They perceive themselves to be excellent negotiators; therefore they assume they can negotiate the best possible deal. Few sellers know what is reasonable to expect and how to Manage Expectations. Is it reasonable to ask for a confidentiality agreement before releasing any information? How much information should I release initially? When should I meet with the buyer? When should I expect a letter of intent? What about earnest money â€" how much and when? Who drafts the purchase agreement? When do I tell my employees? How long should I allow for due diligence? Who pays for due diligence? These are just a few of the questions that come up during the process. Knowing what is reasonable dictates how you respond to the buyer and demonstrates your skill level. Small things such as this dictate who controls the process, who bargains from a position of strength, and who gets the better deal. The biggest risk a business owner faces when attempting to manage the process himself is the inability to Stay Focused on the Business during the sales process. The owner typically becomes distracted in two ways â€" time and mental energy. Given the time-consuming nature of the process, it is easy for an owner to wake up one day and find he is spending the majority of his time on the transaction. The sale of a business is like any other process â€" Sustaining Momentum is critical. When you have positive momentum during the process, good things tend to happen. Conversely, negative momentum tends to feed on itself. The Engagement Agreement Due to the personalized nature of each business sale project, most merger and acquisition experts do not follow a standardized agreement format. Depending on the complexity of the transaction, the list of actual details in a contract can be exhaustive. The Actual Length of the Agreement has two parts: The initial term states the period of time the intermediary will actively pursue the marketing of a business sale. Upon expiration, the intermediary is still protected for a period of time called the survival period. This means that if the business is purchased by a buyer that had contact with the intermediary during the initial period, the intermediary will still receive his full performance fee. The next item of importance in an agreement outlines the Group of Services Provided. Remuneration and the different methods of compensating an intermediary. Note the success fee or performance fee is paid on all consideration received for the business. The business owner may have choices as to how he accepts the structure of his deal: However, the intermediary gets his corresponding percentage on all components of the deal. Additionally, who pays Expenses is an important issue to address in any agreement. While you maintain all decision-making authority, the intermediary must know that all negotiations pass through him. Conversely, the lack of such features in a business will detract from market value. To the extent that these elements are improved in a particular business, the market value of the business is improved. Higher growth rates command higher values. Higher profits as a percent of sales compared to industry averages. Operating profit margins that exceed industry averages will command higher values. Management Quality and Depth: Depth, quality, tenure, experience, success record, education, as well as succession for managers and key employees. Above-average management and employees will reduce risk during transition and justify higher multiples. If a company fills a definable niche, commands a special leadership position, or has strong and favorable brand awareness in their market â€" whether for products, services, geographic areas, production efficiencies or certain capabilities â€" a higher value should be supported. If the product or service offerings of a company have multiple customer groups, markets, or end users, a higher value is justified. The more proprietary the products, the higher the profit potential and value. For example, a non-exclusive distributor enjoys little differentiation or protection from pricing pressure. However, a manufacturer of a proprietary line of products should enjoy a more defensible market position. Diversification of customers, their length of time buying from the company, as well as their financial strength and payment history are important considerations when assessing a business. If the answer is very little, then the company has virtually no customer concentration risk and can command a higher value. Product Mix and Gross Profit: The greater the number of products the company sells and the greater the gross profit on each line, the stronger the case for a higher valuation. Condition and Appearance of Tangible Assets: Is the facility clean, painted, and bright? Replacement Value of Assets: Viewing the business from the eyes of the buyer, how much money would it cost to duplicate the assets, infrastructure, personnel, systems, and customers of the company? Buyers are interested in what the business will do in the future. Strong current performance can justify higher prices, whereas a dip in performance will always put a drag on pricing. If the existing employees, working capital, facilities, and systems are adequate to support the projected growth over the next few years, a higher than average valuation will be supported. List the level of revenues that the business, without additional investments or hiring, could support. The higher and more certain the projected sales and cash flow of the business, the higher the multiple of trailing cash flow. Overall Reputation in the Community and Industry: Healthy and favorable reputations make doing business easier. As a result of a positive reputation, you can attract higher quality employees, win customers more easily, and attract better service and terms from vendors. Quality of Financial Information: Financial statements present the financial health and performance of a company. Audited financial reports by a well-known and independent audit firm are the highest quality statements. Risk and uncertainty lower value. If a company has existing or pending litigation, potential environmental issues, a reputation for being litigious, is in a changing or threatened market niche, or possesses other risk factors, value will decline. Tax Planning and Offering Documents Four key offering documents must be prepared in advance of any contact with buyers: The Confidentiality Agreement is a critical document of the sale process. There is risk inherent in providing confidential data to third parties. The purpose of the confidentiality agreement is to limit how such information can be used. The purpose of the offering memorandum is to help interested parties understand your business, including its strengths, weaknesses, and potential. The generic summary is a tool for attracting buyer candidates. Supplemental Package contains information held back for confidentiality reasons, information necessary to back-up summary data provided in the offering memorandum, and items expected to be requested during due diligence. Recasting Income Statements and Balance Sheets By recasting, we adjust the historical financial statements as follows: Eliminate those costs that affect the historical profits, but that are not necessary for the operation of the business going forward. Add back to net profit the total dollar value of all benefits received by the owner. The short list will encompass individuals or companies that the owner or intermediary already has specific knowledge and are easy to profile. This list may include competitors, key management personnel, partners who do not wish to sell, and key customers. Choices of Approach There are two basic ways to approach marketing a business for sale: The traditional way of marketing a business is the rifle method. This is done by identifying the SIC standard industrial code as set forth by the federal government of the offered company and then contacting all of the companies in and around the same SIC. These contacts are made through mailing a letter and general summary.

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Perkins is the author of "The Business Sale: An Owner's Most Perilous Expedition" and "A Concise Overview of Business Valuation." For more information or to register, please contact Lynn Wilson at () or by e-mail .