

How Can Hiring A Business Broker Help Me Sell My Business?

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Business

Are you thinking about selling your business and considering starting something new? Maybe you want to take retirement, or perhaps you are looking at pursuing a fresh business opportunity. Whatever your reasons for selling, you will need to consider a few things before you begin the sale process:

How much would you ideally like to get for the business?

Is confidentiality important to you?

How can you find a buyer who will look after the interests of the company and its employees?

For someone who is new to M&A, the questions above may not be the most straightforward to answer. This is why it makes sense to consider contracting the services of an experienced Business Broker who specializes in arranging the sale of businesses like yours.



What is a Business Broker?

A Business Broker is a person or company that specializes in helping business owners to sell their business. They typically have years of experience in M&A deals, and facilitate every aspect of the sale process, from finding a suitable buyer to drawing up a sale contract.

When deciding on which broker to use, there are some criteria you can use to identify the best company to fit your needs as a seller:

How many years of experience does the business broker have?

Have they got experience of selling your type of business?

How large is their database of potential buyers?

Do they operate in multiple states?

How are their company reviews?

Do they have an extensive marketing program?

Are their businesses for sale advertised confidentially?

Do they only charge a fee if they sell your company?

How Do Business Brokers Sell Businesses?

The first step a business broker will arrange is typically a no-cost confidential consultation with the seller. This will give you as the seller a chance to get answers to some of the questions mentioned in the previous section. This discussion will give you an insight into whether the broker is a good fit to arrange the sale of your business.

Following the initial consultation, the broker will arrange for a preliminary company valuation. This valuation will require you to present some information on your company, including:

Annual revenue

Your salary, profit, and perks and benefits

Customer base and diversity

Company products or services

The company's competitive advantage

Skills and ability of employees

The Business Broker will then perform an appraisal in which they will compare your business to the sale price of similar companies. This will give you a ballpark figure for the price that you can expect to receive. You can then make a decision regarding the financial viability of a sale for your retirement or to launch you in your next venture.

Since Business Brokers get paid based on a percentage of the sale price, you can trust them to push for the maximum asking price possible and to fight your corner in negotiations with buyers.

If you give the go-ahead on the estimated sale price, the next step is the signing of a listing agreement with your preferred business broker. A listing agreement outlines the commission to be paid if the business is successfully sold.

How do Business Brokers Keep Sales Confidential?

When the Listing Agreement has been signed, the next step is to embark on a confidential marketing process. This involves the creation of a brief overview document known as a “teaser”, which details some basic information about the business but does not disclose the name of the company or where it is located.

The Business Broker will then use the teaser document for advertising online and attracting potential buyers. Interested buyers then sign a confidentiality agreement and provide some details on their credentials. The M&A Broker supplies further information on the buyer’s request. If the buyer remains interested after reviewing the specifics, they will contact the Business Broker to discuss the details of any possible deal.

If the broker and buyer decide to proceed further, the Selling Business Broker will contact the seller to provide them with an overview of the seller and the proposed deal. If the seller is interested, the broker will then organize and oversee a meeting or initial phone conference with the buyer and seller.



Negotiating Offers

Through the medium of a meeting or phone conversation, the buyer and seller are given the opportunity to find out more about each other. They will typically ask and answer questions to see if both parties still desire to move forward with the process.

If the interest remains, the buyer will then submit an offer to acquire the business. This opens the negotiation phase in which the Business Broker will manage the correspondence with the buyer in order to agree on a good price. One benefit of working with an experienced broker like A Neumann and Associates is their ability to encourage a bidding war between two or more potential buyers. This buyer competition increases your leverage, helping you to get the highest price for your company.

Having a wider pool of potential buyers to choose from allows the seller to select a buyer that will be the best custodian for the business going forward. This is important because in most cases, the seller engages with the buyer in the post-sale period to guide them through the transition period and introduce them to clients and employees.

Doing Your Due-Diligence

Buyers will always perform due diligence on a business before they make an offer. A Business Broker can help advise you on how to best comply with the requests for information and assurances that the buyer will make as part of the due diligence process.

To avoid conflict, the buyer and the seller must share an understanding of the depth of investigation that will take place. It is important to have an agreement on what due diligence will entail before the process begins. Business Brokers are experienced at overcoming differences between accountants, lawyers, and the buyer and seller during due diligence.

Contract Negotiation

Depending on the case, the purchase agreement can be negotiated during due diligence or after. There are advantages and disadvantages to both approaches. If time is of the essence, drawing up the contract before due diligence has been completed may be preferable. However, from a cost-savings standpoint, waiting until after due diligence is close to completion may ensure that nothing is missed in the contract. A more considered approach will ensure that both sides are fully comfortable with all aspects of the deal.

As a business owner, it is important to keep the business' revenue and profitability up throughout the course of the due diligence phase. If revenue suffers, you may find that the buyer gets cold feet and pulls out. In some cases, they may request that price is knocked down or terms altered to take losses into consideration.

A Business Broker can assist by allowing you to spend less time on the deal and more time ensuring that the business continues to run as normal during the sale period. They will also be able to advise you on what to do if the buyer starts to mess you around and make unreasonable demands.

Closing The Deal

During closing, there are a host of issues that can come up which can potentially derail a deal. Common issues that we see involve partners, advisors, changes in the industry, financing, or a difference of opinion regarding contracts.



An experienced Business Broker can guide you through the process when things take a turn for the worse. The experience that they have garnered through years of brokering similar deals means that they will have a range of readymade solutions to any problem that may arise.

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