

12 Questions to Ask When Selling a Business

1. What Do I Need to Do Before Finding a Buyer?

Pay off debt

Organize financial information

Identify weaknesses

2. How Long Does Selling a Business Take?

6-9 Months

3. Should I Offer Seller Financing?

Can sell business for 10-15% more

Finance up to 60-70% of purchase price

5-7 Year term with 6-10% interest

4. How Much is My Business Worth?

Seller's discretionary earnings (SDE) * Industry multiplier

5. What Documents Do I Need to Have Prepared to Show Potential Buyers?

Tax returns for the last 3 years

YTD balance sheet

YTD cash flow statement

Summary book of your business

6. What Additional Documents Should I Have Ready for Buyers Who Start Due Diligence?

Proof of Business Ownership

Business Licenses

Payroll Summaries for 1 Year

Outstanding Accounts Payable

Outstanding Accounts Receivable

Current Loan Documentation

Lease Contracts

Sales Contracts

Details of All Chargebacks or “Owner’s Salary” in Your Financials

3 Years of Profit and Loss Statements

3 Years of Cash Flow Statements

3 Years of Balance Sheets

7. Should I Hire a Broker or Sell the Business Myself?

If you don’t have a good idea of where to find potential buyers

If your business network is not very extensive

If the extra time it will take you to sell the business will cause the business to suffer

8. Who Else Should I Hire When Selling a Business?

Certified Public Accountant (CPA)

Attorney

Investment Bankers

Consultants

9. How Do I Qualify a Buyer?

Sign an NDA

Ask for buyer's financial summary and credit score

Set deadlines and stick to them

10. What Agreements or Contracts Do Buyers Need to Sign?

Non-Disclosure Agreement

Letter of Intent

Purchase Agreement

Assignment of Leases

Assignment of Licenses

Seller Financing Agreement

Succession Agreements for Employee Benefit Plans

Transfer of Patents, Trademarks, Copyrights, etc..

Seller Consulting Agreement

Asset Acquisition Statement

Transfer of Contracts

11. How Long Does it Take to Close Once I Find a Buyer?

90 - 210 Days

12. What Happens Once My Business is Sold?

Owner stays on as a business employee

Owner is paid as independent business consultant