

# BUSINESS NEWS TODAY

## Getting the Best from Your Broker?

### A Guide to Choosing the Right Intermediary

If you have done any research on Business Sales, you already realize that selling a Business is not like selling a house. The process is far more confidential, complex, and requires the expertise of someone specializing in Business Acquisition.

While there are many who hold themselves out to be experts in the field, which ones really are? After all, your business almost certainly represents the largest investment in your portfolio.

You need to be confident that you are getting the best professional to represent you in its sale. Moreover, once you choose that individual or brokerage firm, what should you expect from them?

There are four basic questions you should ask any Broker or Intermediary right up front. Their answers, will tell you a lot.

#### **How long have you been in business?**

The longer your candidate has been in business and personally practicing, the better. Ask them to clarify whether they are full or part-time in the business. Most Intermediaries work on commission, so only the best can afford to make it their primary source of income. I've personally been brokering businesses full-time since 1997. BB&C is highly specialized and it is all we do.

#### **Are you a licensed Real Estate Broker?**

Many Business Intermediaries are not. And only a licensed Real Estate Brokerage Firm can legally negotiate the sale or lease of the real estate associated with your business. Since continuity and time are of the essence in acquisition, it's best to choose an Intermediary who is also a Licensed Real Estate Broker. BB&C is licensed with the Kentucky Real Estate Commission and answers to its high legal and ethical standards.

#### **Have you sold a business like mine before?**

There are aspects to almost every business that make its transition process unique. Enlisting the help of a broker with specific experience in your vertical is critical. BB&C has worked with countless businesses in dozens of different verticals. Chances are we have already sold a business like yours.

#### **Can you provide me with references?**

Any Intermediary worth their salt should be anxious to furnish you with references. The best way to learn about them is from the business owners they have already helped.

Like most things in life, what you do is more important than what you say. This is particularly true in the case of business brokerage for two reasons. First, most businesses are sold to first time buyers. Second, selling a business is very different than selling a house. Your Broker is selling more than the tangible assets of the business. They are selling its Cash Flow. It's something buyers can't physically touch and can have a hard time getting their head around- particularly if they've never owned a business before.

That's why it's really important for a Broker to actually *do* some very specific things. They must....

**Act as a Consultant.** Your Broker should be willing to educate you and the buyer in the various aspects of transition. Ask them what sort of resources they have available to do so. A great broker will have been down this road a hundred times before, but won't forget that you have not. First-time buyers will need a lot of guidance, even if you don't.

**Prepare a Valuation.** A good Broker will help you understand the value of your business before they even list it. Since Cash Flow is the entire basis for valuing, marketing and selling a business this is a must. BB&C confidentially prepares a detailed valuation. It considers Historical Discretionary Earnings (Cash Flow) against the actual sale price of similar businesses sold nationwide, ROI's and lending scenarios. We review our findings with perspective sellers free of charge. It is in our best interest to do so because it helps us and the seller get an idea of what we can reasonably expect. If we list the business, it also helps perspective buyers understand what the business is worth.

#### **Prepare a Detailed Marketing Prospectus.**

I am not talking about a 1 page synopsis here. I mean a complete prospectus that can be presented to qualified buyers after they are under non-disclosure agreement. Your Broker should take the time to really understand key aspects of your business, and formalize them in this way. Otherwise, you will be answering the same questions in buyer meetings over and over again. A high quality Prospectus significantly cuts the sales cycle and the due diligence process once a Purchase Agreement is in place.

**Carefully Screen Buyers.** Ask how your Broker screens potential Buyers. A good Broker does more than field inquiries. They

should be taking the time to meet with buyers, understand their requirements and their financial capabilities. Are they prudent and systematic about releasing information and maintaining strict confidentiality? What specific measures are in place to help insure that? Our system for screening buyers is too involved to detail here- but it's something we discuss with all our seller clients.



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**Market the Business.** 'Marketing' a business and keeping the fact that it's for sale confidential are not mutually exclusive. We use a combination of discrete 'blind ads' in Newspapers, Trade Journals, several international websites, and professional or industry Related message boards. Blind Ad's offer just enough information to interest perspective buyers but not enough to identify your business. We also draw from an internal database of perspective buyers, use direct mail and direct calls lists. Identifying buyer prospects and matching them up with the right business is a time-consuming, expensive process. Be sure the Broker you choose will devote both to your business.

**Help Buyers Obtain Financing.** If you think a buyer is going to come in with an 'all cash' (meaning all *their* cash) offer- Wake up! It almost never happens. Ninety percent of the transactions we close involve some form of SBA insured loan. I can also tell you that obtaining an SBA backed loan is an involved and lengthy process. Unless first-time buyers have someone experienced who is willing to help them, the process can easily outlast their resolve.

One final piece of advice- It's never too early to develop a relationship with a professional that meets these standards. For one thing, they can keep you apprised of the market to help you develop and time exit strategies. For another, life and the unexpected have a funny way of catching us all off guard. You don't want your greatest asset to be the subject of a fire sale or hastily entrusted to a stranger.

*Otis Florence is an Accredited Business Intermediary. He is a member of ABBA & IBBA® IBBA is the largest international, non-profit association operating exclusively for the benefit of people and firms engaged in the various aspects of a business brokerage, mergers and acquisitions. IBBA® has 1,950 members worldwide.*