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Name

Date

## CONTENT MODULE SUMMARY SHEET

# Is it Time to Sell Your Business?

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### INTRODUCTION

Bob Tankesley, MBA CPA is a Principal at NERI Capital Partners and an Iron Forums member. His firm is focused on mergers and acquisitions, and one of the questions he frequently gets is “When is it time to sell my business?” In this content session, Bob shares some tips and questions that EVERY business owner must consider and in a timely manner.”

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### SCRIPTURE

*Wealth gained hastily will dwindle, but whoever gathers little by little will increase it.*

— Proverbs 13:11

*Without counsel plans fail, but with many advisers they succeed.*

— Proverbs 15:22

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### CONTENT

This is just an outline. Be sure to add your thoughts and listen to the Holy Spirit to see what He may be speaking to you about this topic.

#### **What is my timeline?**

Your timeline depends on health, family situation, the economic climate, and of course how much money you need to retire. Ask your financial planner how much cash will need to come from your business for retirement.

#### **When should I start thinking about all this?**

Bob points out that it’s never too early, and business owners often put it off until it’s time to “get out.”

While investment accounts provide statements of value (constant feedback), small businesses discuss it whenever it comes up. The business owner doesn’t often truly know what his company is worth.

If you can review company value with a group of trusted advisors earlier and more often, you can make decisions to increase the value before you’re ready to sell.

#### **Transferring Value from the Owner to the Business**

It’s been said that the value of the business is “X minus the owner.”

This reminds us that often, there’s no value outside the business owner.

You must consider how much of top line revenue is dependent on you.

Buyers will ask about this, and figure it out on their own, unless you have a valid answer.

They won’t want to buy a business that is dependent on the exiting owner.

When the owner is going to sell, he needs to think like a buyer.

Bob says, “Our job is to make the owner irrelevant in the business.”

If you have enough time, there's a LOT that can be done to help transfer value from owner to the team.

Train the sales team.

Empower the employees.

Document Processes.

#1 concern Bob hears from buyers is, "What happens to this business if something happens to the seller?"

"Earn Outs" often enter the discussion to keep the business seller involved.

"There's a pretty big discrepancy between what a business owner believes his/her company is worth at the cocktail party and what a willing buyer in reality is willing to pay." Objections to a lower offer or valuation include:

"Someone once told me my business is worth: \$ \_\_\_\_\_"

"My buddy sold his company for 10x gross earnings."

"Rule of thumb in my industry is (7x EBITDA)"

"I need this company to sell for \$ \_\_\_\_\_" \*This one is the toughest to work with.

It's been estimated that 98% of small business owners don't know the true value of their company.

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## DISCUSSION QUESTIONS

1. Do you currently have an exit strategy or a plan to sell the business?  
If you do, share a little bit of the process with the guys at your table.  
When do you think you may be able to sell it?
2. Bob reminds us that the true value of the business is "X minus the owner."  
What percentage of your business operations and revenue is dependent on YOU?  
Who in your organization could help take on more of that value OR what type of position could you hire to transfer that value?
3. Who do you know right now that would be willing to review the current and projected value of your business, and help you create an exit plan?  
Make a commitment to contact them and include this in your "working on the business" time.
4. What is going through your mind right now as it pertains to today's discussion and any next steps?