



SMALL BUSINESS
KNOWLEDGE AND
TRAINING PORTAL

TSBDC.org

AMERICA'S
SBDC
TENNESSEE

USING A BUSINESS BROKER

LESSON TOPICS

1. Selling on your Own

You should never try to negotiate your own deal as the business owner. Your business becomes your DNA and separating that from yourself is an incredibly emotional process. Emotion, however, is not something you want involved in the deal structure.

2. Reasons to Hire a Professional

Selling your business takes experience, when most owners only go through a business sale once in their life. It is a small percentage and rare for a business owner to sell multiple businesses. This is why you want to look for experienced representation to help in the process. They can also help you increase the value of the sale by cleaning up your financials.

Experienced professionals can also help you avoid many of the legal pitfalls when you get into indemnifications, representations, and warrants. It is important that on the first day with your professional that you identify the goals you want to achieve. This is helpful because as the business owner gets caught up in the process that can take 6-8 months, they will forget their goals. The advisor is there to remind them of the goals and bring them back to the objective.

3. Business Broker

Business brokers typically handle businesses that are less than \$2 million in top line revenue. These are the small mom and pop shops that have reached a certain level in business, and now are ready to transition out of the business as the owner. The fees will be 10-12% of the transaction. Business brokers use listing platforms, that are open to the public in the market place for investors, in order to find your business.

4. Advisor Level

The advisor level is for businesses that have reached between the \$2million-\$50million top line revenue. These businesses are too big for a broker but too small for an investment banker. The advisor will work through all the platforms, to create competition for buyers' offers. You can count on the advisor to be there to assist you through pre-deal, deal execution, and post-transition. Fees for this level of representation are typically 5% of the transaction, which is a lower fee but is a larger revenue number.



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LESSON TOPICS CONT

5. Investment Banker

You will want the representation of an investment banker if your business is above \$50 million. They are much more expensive but they do come with high level MBA skills.

6. How to Choose?

As the business owner, you should look at your business then look at the level of representation that you will need. You need the assistance that help you identify your true needs and values. Make sure that the advisor you choose also has the resources needed, such as time, CPA resources, and legal resources.

7. Process Highlights

- Representation will get you prepared.
- Assess your valuation and make sure it matches with your expectations.
- Develop a C.I.M.: Confidential Information Memorandum.
- Building the investment targets, which is the type of buyer.
- The vetting process, which as the business owner, you will stay out of and let the advisor take control.
- Letters of intent, or LOIs, are offers from buyers that say this is what they intend to pay you.
- Execution of agreements which are conducted through DocuSign.
- Post transition with your advisor still assisting.