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## **What you should know when selling your business**

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## **What can Business Brokers Do – And, What They Can't Do?**

Business brokers are the professionals who will facilitate the successful sale of your business. It is important that you understand just what professional business brokers can do – as well as what they can't. As your business brokers, we can help you decide how to price your business and how to structure the sale so it makes sense for everyone – you and the buyer. We can find the right buyer for your business, work with you and the buyer in negotiating, and every step of the way until the transaction is successfully completed. We will also help the buyer in all the details of the business buying process.

A business broker is not, however, a magician who can sell an overpriced business. Most businesses are salable if priced and structured properly. You should understand that only the marketplace can determine what a business will sell for. The amount of the down payment you are willing to accept, along with the terms of the seller financing, can greatly influence not only the ultimate selling price, but whether the business sells or not.

## **How Long Does It Take to Sell My Business?**

It generally takes, on average, between four to six months to sell most businesses. Keep in mind that an average is just that. Some businesses will take longer to sell, while others will sell in a shorter period of time. The sooner we have all the information needed to begin the marketing process, the shorter the time period should be. It is also important that the business be priced properly right from the start. Some sellers, operating under the premise that they can always come down in price, overprice the business. This theory often "backfires," because buyers will often refuse to look at an overpriced business.

It has been shown that the amount of the down payment may be the key ingredient to a quick sale. The lower the down payment, generally 40 percent of the asking price or less, the shorter the time it usually takes to a successful sale. A reasonable down payment also tells a potential buyer that the seller has confidence in the business's ability to make the payments.

## **Why Is Seller Financing So Important to the Sale of My Business?**

Surveys have shown that sellers who ask for all cash receive on average only 70 percent of their asking price, while sellers who accept terms receive on average of 86 percent of their asking price. That's a difference of 16 percent! In many cases, businesses that are listed for all cash just don't sell. With reasonable terms, however, the chances of selling increase dramatically, and the time period from listing to sale greatly decreases. Most sellers are unaware of how much interest they can receive by financing the sale of their business. In some cases, it can greatly increase the amount received. And, again, it tells the buyer that the seller has enough confidence that the business can, indeed, pay for itself.

## **What Happens When There Is A Buyer for My Business?**

When a buyer is sufficiently interested in your business, we will help in the preparation of an offer or proposal. This offer or proposal may have one or more contingencies. Usually they concern a detailed review of your financial records and may also include a review of your lease agreements, franchise agreement ( if there is one), or other pertinent details of the business. The buyer's proposal will be presented to you for your consideration. You may accept the terms of the offer or you may make a counterproposal. You should understand, however, that if you do not accept the buyer's proposal, the buyer can withdraw it at any time.

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We will submit all offers to you for your consideration. At first review, you may not be pleased with a particular offer; however, it is important to look at it carefully. It may be lacking in some areas, but it might also have some pluses to seriously consider. There is an old adage that says, "The first offer is generally the best one the seller will receive." This does not mean that you should accept the first, or any, offer – just that all offers should be looked at carefully.

When you and the buyer are in agreement, we will work with both of you to satisfy and remove the contingencies in the offer. It is important that you cooperate fully in this process. You don't want the buyer to think that you are hiding anything. The buyer may, at this point, bring in outside advisors to help him review the information. When all the conditions have been met, final papers will be drawn and signed. Once the transaction has been completed, money will be distributed, and the new owner will take possession of the business. As your business broker professional, we will work with you throughout the entire sales process.

### **What Can I Do to Help Sell My Business?**

You can cooperate fully with us and any other professionals that you are using. A buyer will want up-to-date financial information. If you use accountants, you can work with them on making current information available. If you are using an attorney, make sure he is familiar with the business closing process and the laws of business sales in Alberta. You might also ask if his schedule will allow him to participate in the closing on very short notice. If you and the buyer want to close the sale quickly – usually within a few weeks, unless there are licenses and/ or permits required that might delay things – you don't want to wait until the attorney can make the time to prepare the documents or attend the closing. Time is of the essence in any business sale transaction. The failure to close on schedule permits the buyer to reconsider or make changes in the original proposal.

And, finally, your team of advisors must all be working towards the common goal of selling your business for the best price and terms available in the marketplace, and closing the sale as quickly as possible! Remember that, as your professional business broker, we are on your side. Only by your being as cooperative as possible with us, can we best handle your business interests.

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### **About Us**

VR Business Sales has attained the position as Alberta's market leader in the sale of privately owned companies. Our clients choose us because, through our proprietary marketing process, we are able to sell small and mid size businesses for its maximum value than are typically achieved. Since 1979, VR has built up a reputation based on trust, integrity and mutual respect.

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