

WHITE PAPER

Exit Strategy for Business Owners

Advice from Alan Friedkin, commercial real estate expert in Mahoning County, for business owners looking to sell their business with confidence and ease.

BURGAN FRIEDKIN
COMMERCIAL GROUP



EXIT STRATEGY FOR BUSINESS OWNERS

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INTRODUCTION

If you have spent years or possibly decades building your business, selling might be a difficult decision to make. The idea to sell your business may arise because of many different reasons. Possibly it is time to retire, passing on the family business is no longer an option, or simply you want a change. Despite the reasoning, the process of selling your business is probably easier than you think. I will walk you through the exit strategy I have formulated over the past decades that has worked for many of my clients.

While this strategy can work in a short time frame, it is ideal to work through this strategy overtime. Many business owners can predict an ideal time to sell the business based off their age and personal lives. Unfortunately, unforeseen circumstances can arise, leaving business owners to have to go through this process quickly. Despite your timeline, working through these steps can help you assure that your business can sell successfully.

Before we start, it is important to confirm that you are ready to sell your business. If you are ready to retire or have had an unforeseen issue arise, the time is now. If you have a new business idea or job opportunity, selling may help fund your new idea or provide freedom for new career options. Choosing to sell without a clear decision to what is next for both you and your business can lead to remorse or second thoughts on the decision.

Now that you are confident in your decision, we can begin your exit strategy. Remember, each business is different. Needs for some businesses may not be the same for yours. But each step in this exit strategy will help lead you in the right direction for success.

STEP 1: HIRE A BROKER

First and foremost, you will need some help. This help will come from a wide variety of professionals but a real estate broker will help you from the very beginning. A real estate broker, like myself, helps take the emotion out of the equation, leaving you with the comfort you need to continue working until your business sells.

Each business is different, so depending on how you want to approach selling will vary. When you first meet with your broker, they will request a history of your business and documentation of tax statements, profit and loss statements and other materials pertaining to the success of your business. This will help the broker start to gain an understanding of the businesses selling potential.

Small businesses are often used to getting the word out by networking or signs in windows, neither of which work well normally in selling a business. The best approach is selling confidentially. Selling with discretion can help keep employees, suppliers, customers, and competitors unaware. The last thing you want is extra emotions from others while all this is still in the works.

If you know a specific person or business that you would like to approach about buying your business, you can proceed with a confidential inquiry. To attract a wide variety of buyers, the best way to to widen your reach is by using a broker.

TIP #1:

While confidentiality is key during this time, start to evaluate your employees or competition to see if you would like to discuss selling your business before opening up your business to the market.



STEP 2: DETERMINE YOUR VALUE

Once your broker has looked over your profit and loss statements, bank statements, tax returns and other necessary documentation, the process of pricing your business can begin. Other considerations that go into pricing your business includes your industry, competition, and the current state of the market. This is a good time to get an accountant involved.

If you are selling the real estate of your business as well as the business itself, your broker will evaluate your property to determine the best price for your location. Selling your property is not necessary for selling a business but may help attract buyers.

To begin to determine the value of your business, work alongside your broker and accountant in completing the following:

- Evaluate your Assets
- Calculate your Revenue
- Research Industry Standards
- Use Earning Multiples
- Determine Non-Financial Assets

TIP #2:

Once you know you're selling, you will want to begin transferring assets to your personal name if they will not be sold with the business. Items you might want to transfer to your name would be real estate or intellectual property.



STEP 3: MARKETING

After your broker has all the information they need to properly advertise your business, they can begin marketing it to potential buyers. This part of the process can remain completely confidential if desired. Brokers can target particular people looking for your type of business while keeping specifics about your business out.

The type of marketing best for you can vary. Local ads from your broker may be appropriate depending on the business and local market. Industry specific ads can be shared to a wider range of clientele looking within a particular business type. Online sales are most popular due to the capability for reach. And lastly, confidential offers can be made to specific buyers.

Whether you get involved in the selling process is a discussion for you and your broker. While you know your business more than anyone else, getting involved with sellers can be time consuming, emotional, and you may lose confidentiality. Discuss with your broker about what marketing approach is best for you and your business.

TIP #3:

Buyers interested in a specific industry often search online listing sites where they can narrow down their search. Buyers interested only in a specific area often work with local brokers and read local classified ads to stay up to date with local listings.



STEP 4: CONDUCT DUE DILIGENCE

Once you have a promising buyer, the conducting of due diligence can begin. Due diligence allows the buyer to conduct research on your company and gives the seller the chance to research the buyer. This gives an opportunity for the buyers to dive deep into your company's records to confirm what appeared your financial statements, identify any issues, and confirm their desire to buy before signing the final paperwork.

This process can take time for both parties. The buyer will want to thoroughly examine the financial condition of your business. This is the time the help of an attorney and accountant comes in handy to make sure you are properly providing and sharing your business information.



TIP #4:

Be prepared to answer lots of questions. Some questions may be difficult to answer since they will pertain to specific details about how you have run your business. Keep your attorney and broker by your side to make sure you answer questions correctly.

STEP 5: CLOSE THE DEAL

All the hard work put into the selling process can finally begin to subside. When your buyer decides this is a good fit, they will submit a letter of intent to purchase. This letter is non-binding and writes out all the important details of the sale, including information like the price and any special conditions. Your broker and attorney will help make this step easy to understand because they will do all the reading and comprehending of the fine print.

When both parties agree with the proposal, it is time to get out the pen. Your attorney will prepare a purchase agreement, finalizing all the terms and conditions. Once both parties sign the purchase agreement, it is time to shake hands and take a deep breath.

You have now successfully sold your business, congratulations! Selling a business can feel just as challenging as starting one. But just as you were able to start your business, selling will be just as challenging but walking away with your hard-earned cash will be worth every penny.

TIP #5:

Before you sign the dotted line, have a plan of what you will do next. Walking away from your business can bring on an array of emotions but with a plan to look forward to can make the transition easier.





ABOUT

In March 2020, two of the Mahoning Valley's most trusted names in real estate announced a partnership forming a new company, Burgan Friedkin Commercial Group, becoming the premier commercial property group in the area. With offices located on Belmont Avenue in Youngstown, Burgan Friedkin Commercial Group brings over 80 years of combined real estate experience to one location.



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