

## AHERN ADVISORY

### Selling your business-(The process) Part

Over the last several weeks, I've discussed the process of selling a business. I outlined;

- Preparing yourself, mentally, to "let go", and;
- I discussed various values that a transportation or logistics company might sell for in today's marketplace.

I also indicated that the market values of 2006 and 2007 are gone forever. That was an era that will not replicate itself any time in the future.

Many times, when I speak to a Seller, they indicate they will hold onto their business until they can receive 8 – 9 times EBITDA. My comment; you better hold onto it until you pass on because those days are gone.

I'm sure there will be a quirk, at some point in the future, where somebody overpays for a business. However, the bottom line, with the new tax structures in 2011, most Buyers expectations will not be achieved.

Assuming that you have prepared yourself, emotionally, and assuming that you can come to terms with the market value of your business, you then need to choose representation. There are 3 components that are critical to the process;

1. A transportation advisor.
2. A tax accountant, and;
3. An attorney.

In all instances, make sure that your representatives have extensive experience in transportation. Too many times, Sellers have a tendency to utilize their friends; their confidants. However, trucking is a very unique business;

- It's a cyclical business.
- It's a pennies business, and;
- It needs advisors that understand the industry.

From a legal standpoint; you need deal makers, not deal breakers. From an accounting standpoint; it's important that your financial advisor understand that:

- You start with a pool of money, and;
- You work backwards towards the tax consequences

Paying taxes is a fact of life. An accountant or tax attorney's job is to minimize (legally) your tax liability. However, you can't make that problem the buyer's problem; taxes are what they are.

In reference to choosing representation to take you to the market and move you through the process, depending on the size of your company, there are;

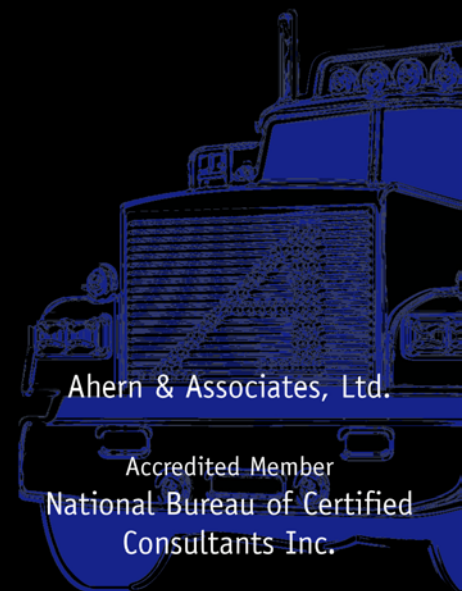
- Transportation analysts.
- Business brokers, and;
- Investment bankers.

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# THE AHERN ADVISORY

in this issue

Selling your  
business...the process!  
Part 3



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**There is a vast difference in these types of representations. If you utilize a transportation analyst, their job is to create the market. Their job is to make sure that your company is not “shot gunned” to the mass market and their job is to create interest.** by providing a Buyer enough information to entice him/her to have a telephone conversation.

**In all instances:**

- A transportation analyst encourages the buyer and seller to interact.
- **A transportation analyst doesn't get in the way, but moves the process along.**
- A Buyer knows what they want and a seller is the best representative of what he/she has to sell. The analyst's job is to make sure the deal is fair and **when it falls apart; knows how to resurrect the deal.**

**Letting somebody get in the middle complicates the situation and, in many instances, “bogs down the process”.** When utilizing a business broker:

- A broker puts a “package” together;
- They “shotgun” it out to numerous companies, and;
- They try to create a bid situation.

**In my personal opinion, that's a dangerous tactic;**

- If a customer finds out, or;
- An employee finds out, then;
- You can lose that customer or employee.

**Investment bankers like to create a “bid” situation.** I'm not a proponent of bidding a company out;

- If you have a fair price, and;
- A Buyer can reach your expectations, then you don't need to go through the bid process.

**However, I will state that on larger transactions, with companies that are over \$200MM - \$250MM+;**

- Investment bankers are engaged;
- **In some cases, they can drive the value higher, and;**
- In other cases, the deal never gets completed. They are too involved in the process.

**You have to chose who you feel will work in your best interest.** Personally, I believe;

- **A Buyer and seller should work together.**
- **A transportation advisor should;**
  1. Prepare the evaluation.
  2. Locate the Buyer.
  3. Qualify the Buyer, (financially).
  4. Advise the Seller, what to release and at what specific time.
  5. Move the deal forward but not control the deal.

**The key to making a deal work is to make sure that your advisor understands what your goals and objectives are.** The advisors responsibility is to also advise you what you can and cannot expect. **I've stated, numerous times, that;**

- If you demand a stock sale (60% - 70% of trucking companies are asset sales), you eliminate 60%-70% of the market.
- If you demand that all your employees receive a bonus and compensated by the new Buyer, you're going to kill the deal!

**If you believe that your employees are entitled to compensation based upon their loyalty to you, it is up to you to carve out a portion of the proceeds of the sales price and give it to your employees; it is not the buyer's responsibility.** It's important to understand that;

- Once you sell your business;
- It will never be the same.

**It's also important to understand that:**

- When you sell your business, you have to be prepared to let go.
- You also have to have another purpose in life.

**You cannot, all of a sudden, "turn off the switch", (overnight), and expect that you're going to live happily ever after just because you have money – it's not going to happen.** My firm has sold, in excess, of 300 companies and if a Seller has not prepared himself, properly, they go through a deep depression, at some point.

**Recently, I was traveling the country with one of my clients and he said the hardest thing he ever did was "let go".**

- He thought he was prepared.
- He felt it was the right time, but;
- **Then, when he picked his predecessor and that predecessor started talking about "my team, my sales people, my accountant", there was an internal rage, he said (to himself);**
  1. Those are my sales people, not yours;.
  2. That's my accountant, not yours, and;
- **In this individual's particular case, it took him about a year to "get settled".**

**In closing:**

- Once you are prepared to let go.
- Once you have established a sales price;
- Once you've chosen your advisors, then;
- You're ready to go to the market.

**Next week, I will discuss; how to go to the market, what role your advisors should play in the market space and how to move the process along.**

**QUOTE OF THE WEEK: "You are the only person who can decide where you want to go and how you're going to get there" (Terry Bowden)**