AHERN ADVISORY

Selling your business–(The process)Part 4

For the past three weeks I've discussed the process of selling a business. I've reviewed;

- Preparing yourself to "let go";
- Establishing a realistic sales price.
- Choosing the proper advisors, and;
- Preparing yourself to go to market.

This week, I want to discuss:

- How to market your business.
- **How to make sure that nobody knows that you are "in play" until after a deal is concluded,** and;
- I want to stress, once again, the mental preparation and focus that is necessary to ensure that if you want to sell your business, it can be sold!

I've stated from the beginning that you have to be very realistic in your pricing expectations.

- If your pricing expectations are too high.
- If you believe that you have a "gem" , and;
- **You believe that you can convince a Seller to pay more than market value, it's not going to happen.**
- Don't waste your time, don't waste your advisors time and don't waste the money.

Selling a business is very time consuming.

- You have to be prepared.
- You have to know what to release and when to release it, and;
- You have to know how to locate a Buyer not a "tire kicker"

When choosing a transportation advisor, it's very important that the advisor;

- Understands the market.
- Has personal relationships with transportation buyers.
- Recognizes business shouldn't be "mass marketed" or "shot gunned" to every trucking company, and;
- Also, recognizes that a buyer must be pre-qualified before any information is released.

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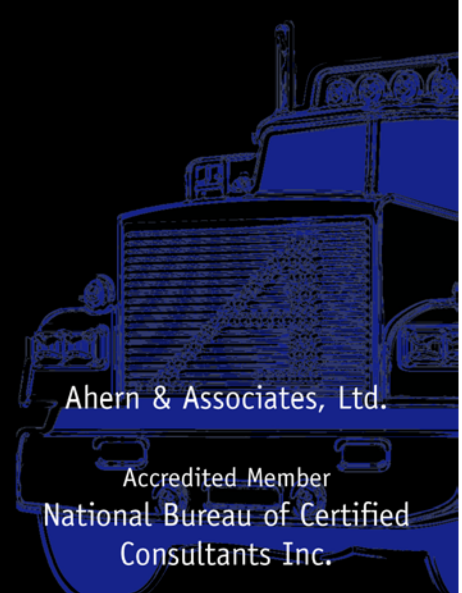
in this issue

Selling your business…the process! Part 4



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Once you have chosen an advisor, it's his/her job to create the market for your business; this entails;

- Outlining your "systems".
- Management talents.
- Rating structures/lanes.
- Customers.
- Traffic patterns.
- Growth opportunities.
- Understanding the strengths and weaknesses of your business.

A sellers weakness can be a Buyers strength.

When selling a business, you must understand that redundant overhead will be eliminated once the business is sold.

- Normally, accounting is consolidated.
- Safety is managed from corporate.
- Credit and collections is managed by corporate, and;
- **What is left is; dispatch, sales and operations.**

If you have a company fleet, maintenance may or may not be part of the integration process. It depends on who the Buyer is, where their facilities are located and what they are trying to accomplish.

Assuming you still want to go forward, how do you locate a Buyer? Do you send a letter out or send a description of your company over the internet? No!

- Your transportation advisor should have a "stable of buyers" in their network;
- These should be Buyers that have a sales track record with the transportation advisor;
- Hopefully, your transportation advisor has sold numerous transportation companies in his/her career, and;
- **If he or she does not have the personal relationships and contracts with specific transportation companies,** then you need to be prepared that your expectations may not be met.

Numerous times I'm asked, by a Seller, can you represent me? Many times a Seller states;

- I want you to represent me!
- I want you to do the contract negotiations! (you should do the negotiations but utilize your advisors expertise to assist in this process)
- I want you to tell the Buyer exactly what I want, and;
- **It's up to you to make sure that my goals and objective are met.**

That is not how the process works! The process works when;

- **A willing Buyer and the transportation advisor understand what the Seller is trying to accomplish.**
- The advisor directs the Buyer and the Seller to interact on a regular basis.
- The transportation advisor instructs what information to release and when to release specific information, and;
- **The transportation advisors job is to keep the attorneys and accountants out of the transaction, until a Letter of Intent has been issued. Then, the final contracts are worked out by legal.**

At all times, it's not the transportation advisors position to try and control the deal. It's not the transportation advisors position to get in between. The transportation advisors job is to move the process along, let the Buyer and Seller communicate and then when there is a sticking point or an issue **that is where the transportation advisors expertise becomes valuable.**

The negotiation process is a very difficult process. It's a very emotional process. It's a very "draining" process, and depending on how skilled your advisor is, determines whether you will have a successful closing or not. The same applies when utilizing an accountant and attorney;

- The Sellers/Buyers attorney should have extensive transportation experience.
- The Seller should advise his/her attorney what he/she wants to accomplish.
- **It's not the attorneys position to negotiate on the Sellers behalf; that is the kiss of death, but;**
- It is the attorney's position to protect the Sellers interest, and get the deal completed.

At the same time, it is important to understand that there is no purchase contract that is "ironclad". There has to be "give and take" on both sides; when two attorneys continually disagree with each other, it is nearly impossible to close a deal.

As the Seller, it's your job to instruct your attorney that:

1. You want a deal completed.
2. You want your interest protected to the best of his/her ability, but;
3. **They are to advise you of your risk, so that you can make an intelligent decision on what risks you are willing to assume.**

The same principles apply for an accountant. Don't demand a stock sale; if you do you are going to eliminate 60% to 70% of the market place.

- **Begin with a pool of money.**
- **Work backwards,** once you receive a Letter of Intent, and;
- **You can still get to where you want to be if both the Buyer and Seller;**
    1. Respect each other.
    2. Have the same values, and;
    3. Both feel that this is a deal that they want to complete.

You should not "mass market" your business! I'm not a proponent of bidding out a business, because;

1. It's too time consuming;
2. It's very frustrating, and;
3. **At the end of the day, if you start with a pool of money and both a Buyer and Seller agree to that pool of money, then there is no reason to "muddy up the waters"; it's too dangerous.**

As part of the sales process, you have to understand;

- You need to keep your business moving in the right direction.
- You need to spend a certain amount of time moving the process along to sell your business, but;
- **You cannot lose focus on your business,** and;
- You cannot assume that a deal will take place.

You have to run your business as usual. Many times a sale does not go through, but the owner has spent so much time focusing on the sale, that the business suffers.

There is a golden rule in the sales process; "never take your eye off the ball" when you are negotiating the sale of your business. Assume, that until you have a signed and executed purchase agreement, that you are directly responsible for the financial future of your business.

In closing, I cannot over emphasize the importance to realistically price a business and to instruct your advisors properly. I've seen hundreds of deals "go sideways" because the advisors took control but they didn't know what they were doing.

Next week, I will discuss the negotiation process and the "pitfalls" of not understanding the complexities of the deal.

QUOTE OF THE WEEK: **"Get your facts first, and then you can distort them as much as you please"** **(Mark Twain)**