Rivo Consulting Group

Why Isn't My Business Selling?

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In today's business climate; mergers, acquisitions and liquidations have become commonplace. With the proliferation of business owners deciding to sell their businesses and an equal amount of forward-thinking entrepreneurs taking advantage of a "buyers' market", come an explosion of opportunists preying on unsuspecting people and not allowing a good crisis go to waste!

Buyers and sellers alike will benefit from an experienced M&A Consultant like RCG, but just because you're willing to hang a figurative "for sale" sign on your life's work, doesn't mean offers will be pouring in. While the length of time a given business remains on the market varies by type and geography, in The Northeast, most service type businesses grossing <$2M, exhibiting a 2.5-4x EBITDA asking multiplier will remain available for 120-180 days.

Why isn't <u>MY</u> business selling (in no particular order)?

1. One of the biggest reasons for businesses remaining stagnant on the market is the ***<u>lack of selling expertise</u>***. Now is not the time to do it yourself! Additionally, with the decline of the real estate market, many home-selling real estate agents mistakenly thought (at the unfortunate peril of many unsuspecting business owners), they could sell businesses. The intracacies of selling an intangible designed to financial support many lives, dealing with buyers who are more educated and sometimes much shrewder, are far different than selling square footage, a country condo or scenic views.

2. ***<u>Dealing with "tire kickers"</u>*** only serves to waste time and risks employee morale and customer loyalty. This is another reason to have an experienced consultant on your side. Always have an NDA and buyer-profile policy in place!

3. A ***<u>business that is overpriced</u>*** will also be difficult to sell. FFE is almost never sold dollar for dollar and multipliers can be tricky in establishing an asking price.

4. If ***<u>cash flow is too low</u>***, ROI may be difficult to establish. A new owner will want to be paid for his/her time as well as pay back an acquisition loan. Even if the business is bought for cash, the principal will want to make back the initial investment with some sort of interest. While paying personal expenses through a business is a "perk" of ownership, remember this when assigning an asking price.

5. Buyers expect to get ***<u>detailed information</u>*** about a business so they can determine if the business is a proper fit for them. Not getting this info or getting insufficient information makes the buyer feel as though the seller might be hiding something. Not getting financial information even if the buyer is buying the business for its potential will usually have a negative effect on receiving offers.

6. Sellers who act ***inflexible*** with respect to financing, offers-to-purchase, release of tax returns, employee info., post-acquisition consultations, etc. will generally turn-off potential buyers.

7. ***Poor negotiation tactics*** will only prove to lessen the opportunity to receive quality O2P's from buyers who are able to buy! Recently, qualified buyers have become exceptionally scarce. An M&A Consultant knows how to deal with buyers, what they are looking for and how to get them to submit offers. RCG aims for <30-day closings which buyers and sellers like.

8. Businesses, like homes, in a ***poor location*** or with poor concepts and/or management will undoubtedly be difficult to sell.

9. An ***attorney*** (on either side) can be a deal-maker or deal-breaker. Sometimes even well-meaning lawyers will read into a detail that is of a minute importance, in an attempt to simply justify his/her fee. For the most part, these deals are not AOL/Time-Warner Mergers! Buyers and sellers are always encouraged to hire an attorney to review leases, terms, O2P's and transfer docs if that makes them feel better. But know their level of expertise! Use an attorney who is known as a "deal-maker", one who is experienced in business sales. You wouldn't go to a cardiologist for a toothache. Ask RCG or a trusted business associate for a recommendation.

10. ***Accountants***, like attorneys, are well-meaning professionals who are good at what they do. Sometimes though, they can't see the forest for the trees. Never let any professional crush your dreams. Remember, accountants are "numbers" people. They are not negotiators. Additionally, it is easier for an accountant (or lawyer for that matter), to discourage the sale or purchase of a business, than be an advocate for a deal that comes with some risk.

In closing, it is a sad reality but sometimes a business has nothing to sell. There might not be sufficient Cash Flow – there might not be potential – maybe no demand for the product or service being sold – poor location – bad lease etc. – in this case maybe the doors should be closed and you shouldn't waste time, money and effort in trying to sell something that nobody will want to buy. If this is the case, RCG will counsel a business owner on his/her options. Unlike real estate agents or those national franchise "Brokers", RCG doesn't list a large number of businesses in a "dart board" approach. In fact, RCG is very particular about the businesses listed. Listen to your consultant and follow their advice. We strive for repeat business, word of mouth recommendations and longstanding friendships with our clients!