

Selling your business? It's not that easy

By Jan Norman
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Expert says it takes time, and homework, to do it

SANTA ANA, Calif. — If you're a business owner toying with the idea of selling your company, the news is good and bad.

Good: It's a seller's market for businesses right now, says Coby Soneshine, president of client services for RSM EquiCo, a Costa Mesa, Calif., mergers and acquisition firm.

Bad: Only about half the owners who actively try to sell their companies make a deal. And that's among companies worth \$5 million or more, in which RSM EquiCo specializes.

Smaller businesses are even tougher to sell, but the owners can learn from EquiCo's experience in grooming mid-market companies for acquisition.

We asked Soneshine to dispel some of the myths associated

with the sale of a business.

■ **Myth:** Once I decide to sell, the process will go quickly.

"The average client who knows coming in that he wants to sell still takes an average of 18 months to get the deal completed," Soneshine says. "We encourage them to do their homework and be prepared."

At the least, many companies need to prepare different financial statements for the past three to five years to show their true profitability. For example, businesses that are structured to minimize taxes may include owner's expenses that a buyer won't have, such as baseball tickets for client entertainment or car leases.

Then the seller needs to examine industry trends that might bolster financial performance in the

future and suggest ways the company will grow with more capital, new product lines or new distribution channels, Soneshine says. Any of those can help increase the selling price.

■ **Myth:** The transaction will be mostly for cash.

"The owner seldom receives 100 percent cash for the sale of a business," Soneshine says. "The more cash the seller wants up front, the less the value of the deal."

Most buyers want continuity of management and insist that the seller stick around for a few years, he says. They may offer a portion of the price contingent on company performance after the sale.

Private equity funds are becoming more active in buying companies and may only want to

buy a portion of the business, he adds. That arrangement might be ideal for the owner seeking some liquidity as he plans his exit strategy years ahead.

■ **Myth:** The owner should be directly involved in negotiating to sell the business.

"We try to keep the seller's eye on the ball of the ongoing work of the business ... so it's still worth the selling price at the close of the transaction."

Professional buyers who acquire businesses all the time will sometimes try to distract the seller to drag down the company's performance and sales price, he says.

■ **Myth:** In a seller's market, the seller gets the asking price.

"The market value isn't always what the seller thinks it is," So-

neshine says. "We look at a discount of cash flow or sales of comparable companies, but there's not as much information about business sales as there is on home sales."

■ **Myth:** Employees or competitors are the most likely buyers of a business.

"Many business owners make the mistake of not casting their net wide enough" for a buyer, Soneshine says. Other potential buyers might be foreign investors or private equity funds.

"Foreign buyers are coming to North America because the economy in their own countries is not healthy or friendly to business," he explains.

The funds that have been sitting on the sidelines since the Internet bust in 2000 now have \$165 billion ready to invest, he adds. Many of them are looking at smaller deals.