

FAREHARBOR

SPARK 

Explore. Connect. Ignite.

Selling Your Business

What Every Operator Needs to Know & Prepare

October 2023

CHENMARK





Trish Higgins

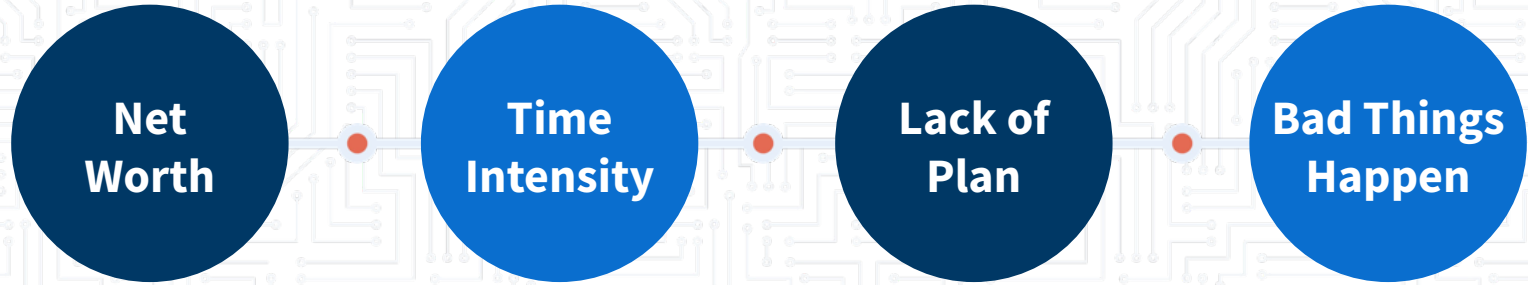
Partner, Chenmark



Who is Chenmark? 



Why Should You Care About This?



Why Don't Business Owners Plan For A Transition?

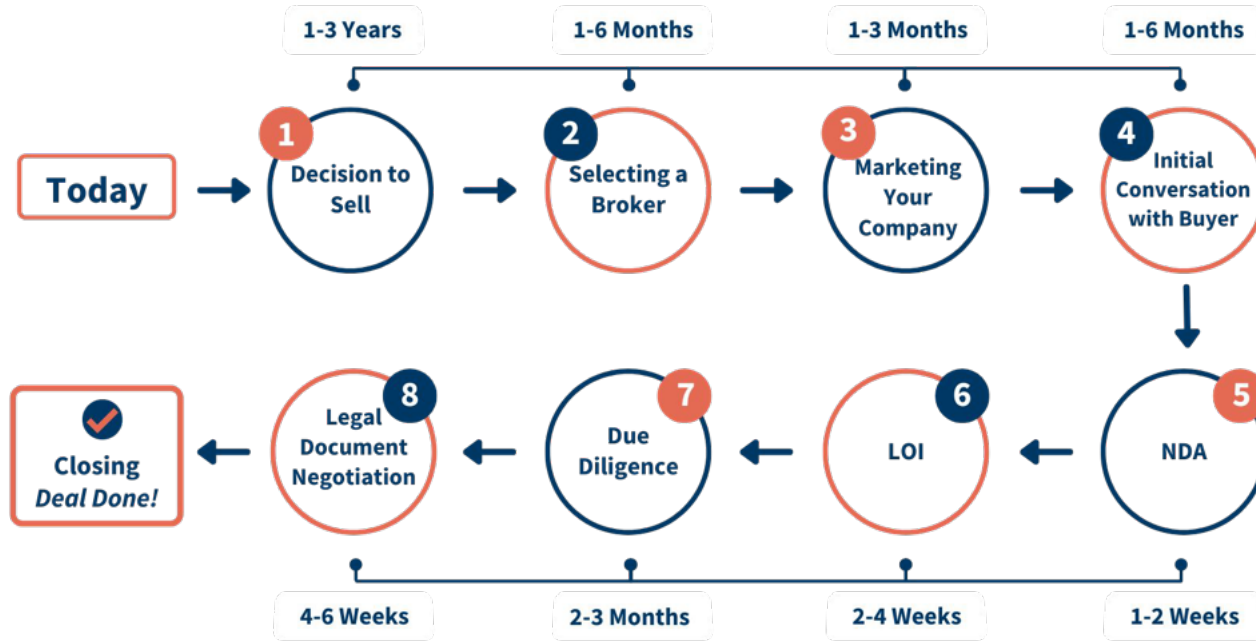


Who has ever put
something important off
because of the daily grind?
Me too!



Selling your business is a
deeply psychological
decision; not as easy as it
might seem

Deal Process and Milestones: Timeline



Case Study: Maine Boat Tours

Situation: Captain/Owner in his 60's looking to retire; business had been in his family for three generations

**Spring
2019**

Contacted local business broker to list his company for sale

**Sept
2019**

Broker took listing public, sent to Chenmark

**Oct
2020**

Visited business, in-person meeting with owner

**Nov
2020**

Submitted offer, accepted after some negotiation

**Dec
2020**

Financial and legal diligence

**Feb
2020**

Transaction finalized



Case Study: Florida Boat Tours

Situation: Husband/wife in their 60's looking to retire; had an offer from a competitor but didn't feel good about it



Case Study: Misc. Boat Tour Business

Situation: Owner their 60's looking to retire; working with a broker

March
2022

Got the initial information from the business; financials were very messy

June
2022

Very long delay in response times on preliminary questions; call with owner was confusing (evasive answers, unclear reason for sale, high turnover in management team, questionable maintenance protocols, uncovered lawsuit was pending)

Sept
2022

Finally got detailed financials, business assets were 20x its earnings and sales expectations were very high. We backed out of process.



Transition Options

A transition does not (necessarily) mean a sale.

Option	Reason	Questions
Transfer to Kids	<ul style="list-style-type: none">• Keep it in the family• Structure Flexibility• Wealth Transfer	<ul style="list-style-type: none">• Kids' Interest• Liquidity
Management Buyout	<ul style="list-style-type: none">• Easy Transition Out• Easy on Stakeholders• Reward Your Senior Team	<ul style="list-style-type: none">• Structure• Financial Capability
Employee Stock Ownership Plan (ESOP)	<ul style="list-style-type: none">• Favorable Tax Break• Sell to Your Employees	<ul style="list-style-type: none">• Expense & Complexity• Timeline
Outright Sale	<ul style="list-style-type: none">• Significant Cash Up-front• Quicker Transition Out	<ul style="list-style-type: none">• Unknown Buyer• Due Diligence



Valuation is not a science!

Your business is worth what someone else pays for it.



Similar to real estate, just because you want your house to be worth something doesn't mean it is!



Very difficult to divorce your feelings about your business from the market value



Important to get input from multiple sources on how to think about what your business might be worth.



If it's not worth as much as you want, what can YOU do to improve the value?

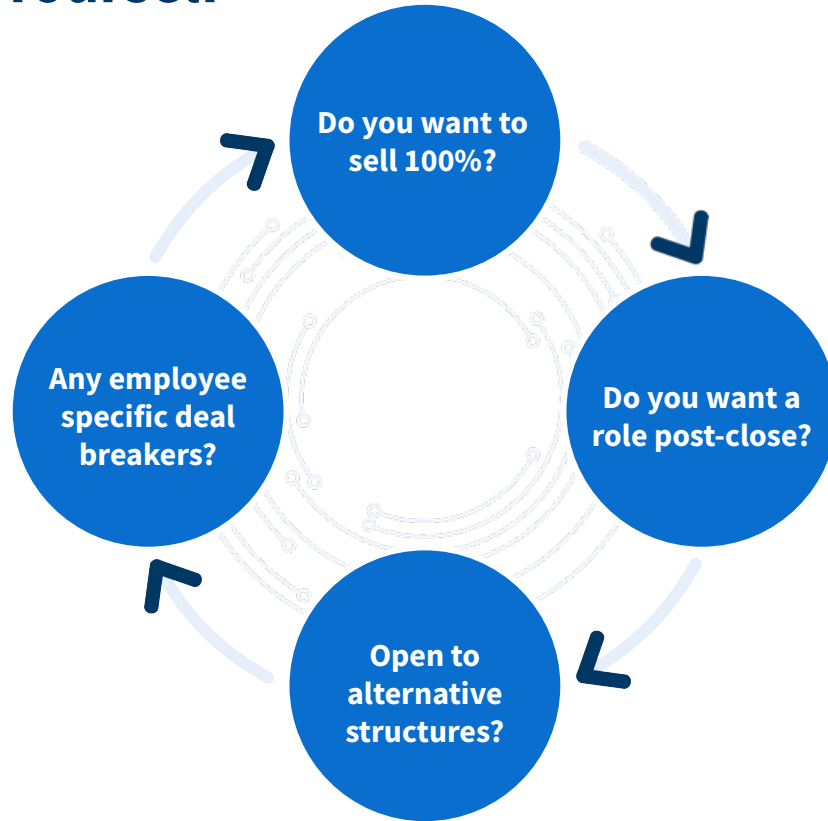


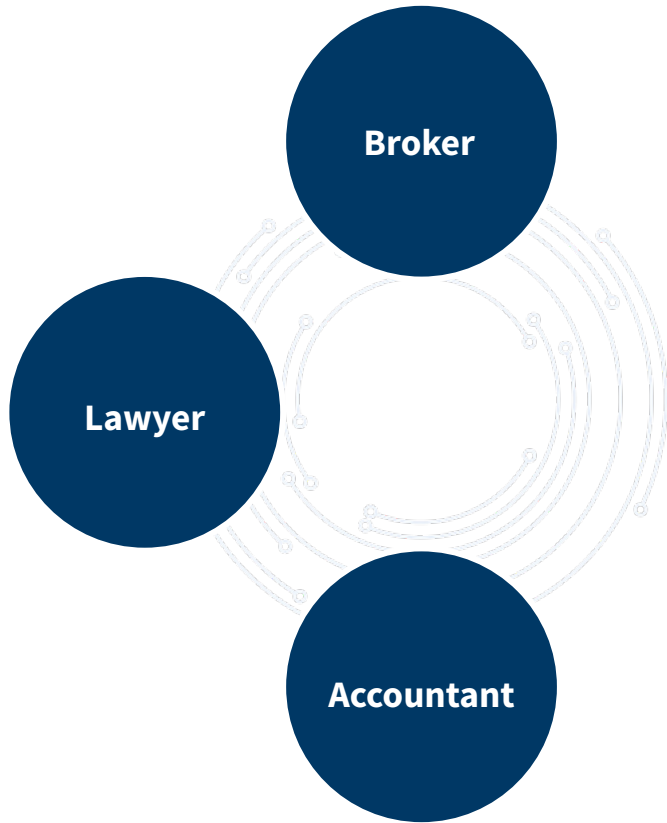
EBITDA

- There are many ways to value a business. By far the most common is a multiple of earnings approach.
- **EBITDA:** Earnings before Interest, Taxes, Depreciation, and Amortization
- Adjusted EBITDA = Net Profit (Net Income) + Interest + Taxes + Depreciation + Amortization + ***“Non-Business/Non-recurring Expenses”***
- These expenses are called “Add-Backs” and while common, are very difficult for a buyer to properly value.



Questions to Ask Yourself



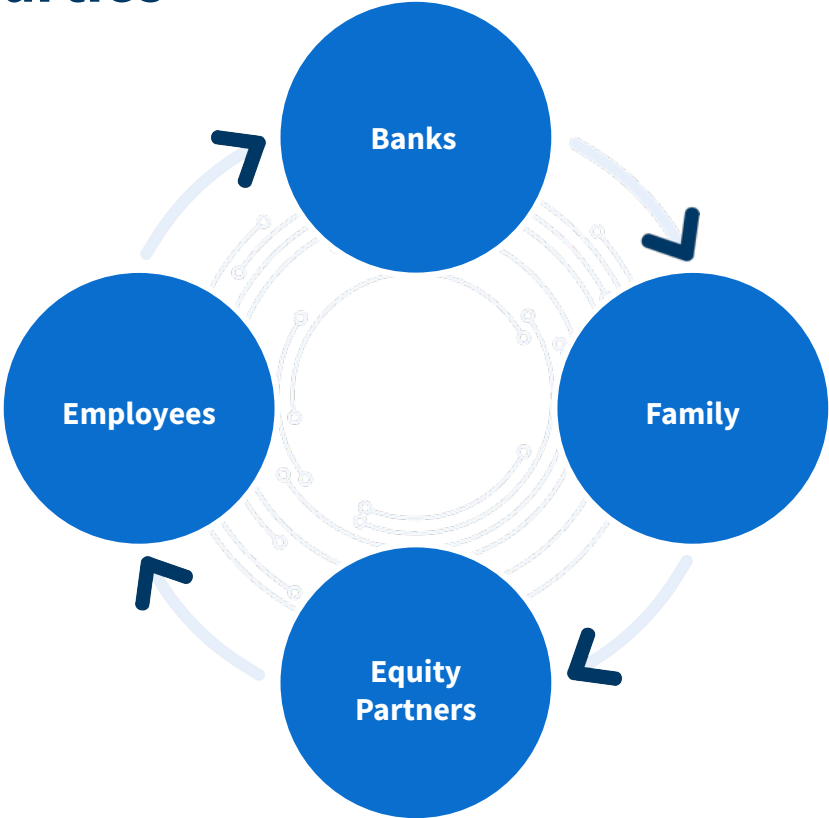


Your deal team is important. Choose wisely!

- It is worth your time to find a lawyer who is knowledgeable in this space. Just because your childhood best friend is a real estate lawyer doesn't mean he can help you!!!
- Brokers represent you. Don't pick a jerk!
- Accountants/bookkeepers are everywhere. Find somebody who can help you!

Other Involved Parties

External



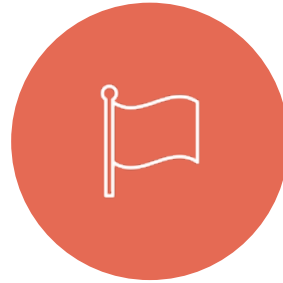
The Business Pre-Sale Checklist: Red Flags



**Financials that
need a lot of
explaining**



**Valuation based
on desire, not
reality**



**High levels of
personal
expenses**



**Unclear
motivation
for sale**



Questions? Praise? Feedback?

Get In Touch

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