

THE SIX-POINT MBA

# How to get out



**S**o you're selling your private business, hopefully not because you have to. To maximize the price, you've got at least two years of work ahead of you, maybe more. Howard Johnson, president of Toronto valuation firm Veracap Corporate Finance and author of *Selling Your Private Company*, has this advice on getting out the right way.

**1 PREPARE FOR SALE** This should take at least a year, which should be spent restructuring your business to make it more attractive, gathering info for prospective buyers and arranging your personal affairs for post-acquisition life. Warning: never wait until retirement or illness before beginning the sale process.

**2 EVALUATE THE SWOT** Figure out your company's equity value. Three keys are discretionary cash flow (revenues minus costs except debt servicing charges), expected rate of return, and underlying financial strength. Do not focus solely on income. Examine strengths, weaknesses, opportunities and threats—SWOT analysis, to MBA types.

**3 OPEN THE DOOR** To get the best price, you need to attract as many qualified buyers as possible. Identify leads, rank them as high, medium or low prospects, and solicit them. Keep as many players in the game as long as you

can. Do not rely on e-mails or faxes to get the word out; most senior execs will take a call about a possible acquisition.

**4 CONTROL THE FLOW** Suitors will want to know as much about your company as possible before revealing their intentions. It's up to you to control the deal. Give buyers enough knowledge to make informed decisions, but don't give away sensitive data until you know how serious they are.

**5 TAKE IN THE BIDS** Sellers often lock up with one bidder without the terms being well defined just because they like the price. A good price is not the same as good value. Keep the sale open while you examine all potential deals; you should be able to handle up to five serious bidders. Watch for clues you're pushing buyers too far. "The soft skills are just as important as all the heavy economic analysis," says Johnson.

**6 CLOSE THE DEAL** Even if a deal is imminent, keep operating as usual. Acquire customers, sign contracts, trim fat. "If all of a sudden the business has a couple of hiccups, the buyers will use that to renegotiate the deal or not do a deal at all," warns Johnson. So keep your options open, and be prepared to walk away and keep the business. You can always start over.

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