

Buying an Existing Business
Find the Right Fit

Welcome

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What We'll Cover Today

- Introduction
- Business Models
- Ways to Buy an Existing Business
- Next Steps
- Questions and Answers



My Background

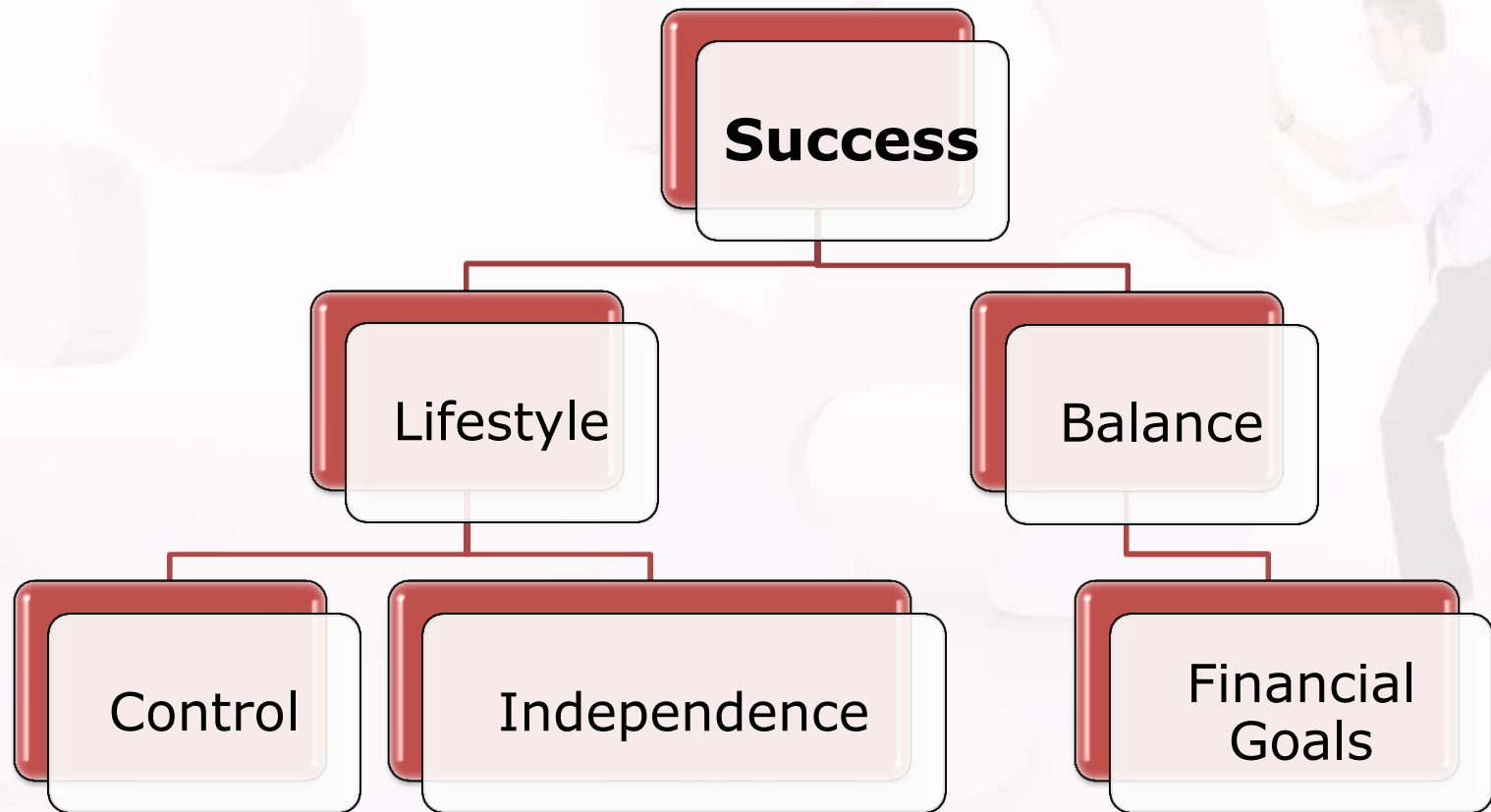
- Vice President Sales
- Been through Downsizing (twice)
- Started my own business
- Business Broker/Franchise Consultant
- Business Owner/Franchise owner



Why Choose Entrepreneurship?

- Put end to frustration
- No more dealing with politics
- Reduce stress of unreasonable expectations
- Never again being downsized

Why Choose Entrepreneurship?





PAIN

HAPPINESS

SUCCESS

PERSEVERANCE

HARD WORK

Dreams road

PATIENCE

WITH

Fal

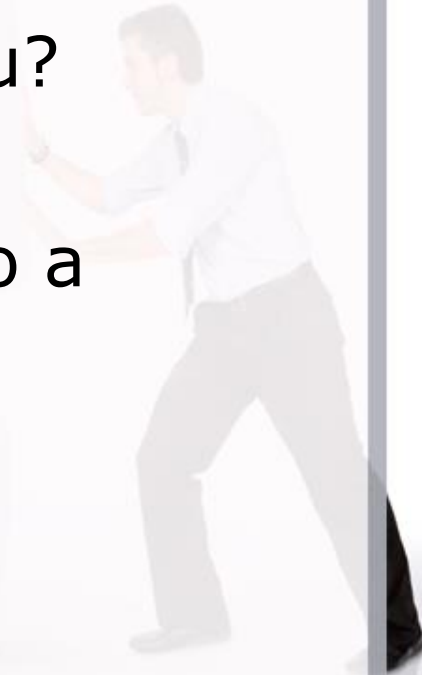
Surrender in



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Discover Your Path

- Which type of businesses interest you?
- What are your transferrable skills?
- Are you willing to dedicate yourself to a business?
- Where do you want your business?
- How do you want to get your customers?
- How much do you want to invest?
- Are you comfortable taking on debt?





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Discover Your Path

Buying an Existing Business

Advantages - Buying a Business

- Reduces Risk vs. Start-up
- Proven business concept and processes
- Business generates cash flow from day one
- Immediate Paycheck
- Established suppliers, Trained employees in place
- Existing Customer Base
- Seller support and may assist with financing
- Easier to secure affordable financing (SBA)
- Now is an ideal time to buy a business



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Why Now?

- Average age of US business owner is 65
- Over 700,000 businesses are projected to be 'for sale' in 2017
- 2 Baby Boomers : 1 Generation Xer
- Over 7 million business owners will exit business before the year 2025
- Current interest rates are low

Source: *The Business Transition Tidal Wave*, Winsby Price/Waterhouse



Advantages – Buying a Business

Today's Typical Business Buyer

- Former corporate executive
- Typically in 40s/50s
- Disillusioned with corporate world
- Strong desire to control own destiny

Today's Typical Business Seller

- 15+ Years in Business
- Makes \$100K-\$300K year
- Burned out
- Has growth opportunities but doesn't want to pursue

**From The California Association of Business Brokers.*



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Ways to Buy a Business

Business listing Websites

- www.BizBuySell.com
- www.BizQuest.com
- www.Businessesforsale.com

Types of Listings

There are 45,000 businesses currently listed across the United States.

- Food/Beverage/Entertainment 39%
- Retail Related 27%
- Business & Prof Services 12%
- Manufacturing 6%
- Health & Medical 5%

Business Brokers

- Work for the seller
- Difficult to uncover right opportunity
- Inefficient “Business for Sale” market place (No MLS)
- Brokers have too many marginal listings

Business Search Firms

- Proven process to find businesses that fit your criteria:
- Most business owners won't list business for sale
- Many business owners will sell business if approached
 - ✓ Uncover unlisted opportunities
 - ✓ Contact all businesses matching your criteria
 - ✓ Least amount of competitive pressure for you
 - ✓ 6-12 month time frame to complete a deal
 - ✓ Refundable Retainer Fee for search \$2500

Existing Franchises

- Proven track record
- Systems in place
- Reliable bookkeeping records
- Wide variety of industries (retail, consulting, small manufacturing)





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Personal Business Model

- Transferable Business Skills
- Employees
- Budget
- Business environment
- Full or Part-time & Hours
- Type of customers





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The Process





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Valuation / Financing

Financing

- What do you need in salary from the business?
 - Consider your lifestyle requirements
 - What was your salary at your previous job?
 - Remember the tax benefits
- Does the business qualify for SBA financing?
 - Do you have relevant industry experience?
 - What is the available cash flow after your salary
 - The debt service coverage ratio should be at least 1.3.
- What is your down payment?
 - You will need at least a 20% down payment



Find Net Owner Profit

1. Net Profit
 2. Owner Compensation (salary, dividends, etc.)
 3. Depreciation/Interest/Amortization
 4. Fringe Personal Benefits (car, insurance, cell phone, etc.)
 5. One Time Expenditures
- Subtract
6. Capital Expenditures – understand the trends & needs
- Add #s 1 – 5, subtract #6 to get total Owner Benefit

Valuation

1. Cash flow is king!
2. Determine true owner benefit (key component)
3. Consider trends, competition, etc.
4. Determine your multiplier (typically 3-4)

What Can You Afford?

A Simple Formula

Salary x 2 = **Cash Flow Needed for Personal and Debt Service**

Cash Flow x 3-4 = **Approximate Value of the Business**

20% of the Amount Paid for the Business = **Your Down Payment**

This formula will make sure the business can pay you and pay off any debt you take on to purchase the business.

3 of these things are kind of the same

- Small manufacturing business
 - Airplane parts reseller
 - Hair salon
-
- All of these business were found in searches and have a net owner benefit of over \$400K

Client Success Story

Client had \$200K to invest in a business purchase. Client wanted to stay in Idaho.



We identified over 30 companies which were interested in selling in the chosen industries and markets. Offers were made on multiple businesses.



Client purchased a Staffing business which had an annual net income of @ \$300K. Purchase price was approximately \$850K. Purchase was financed with SBA loan from a local SBA lender along with 20% seller financing.

Financing

- Home Equity Lines
- 401K and/or IRA Investment plans
- SBA Loans
- Seller Financing
- Local Bank or Credit Union

SUCCESS



PERSEVERANCE



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Next Steps



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Discover Your Path

- Complete **Entrepreneur Assessment**
- Review Assessment and Discuss Workbook
- **Identify** and Opportunities
- Due Diligence, Research, Valuation, Negotiation
- **Decision**
 - 6-12 months Acquisition

What Does Success Look Like?





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“The most important investment you
can make is in yourself.”
— Warren Buffett



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A large white billboard on a black pole against a blue sky with clouds. The billboard is the central focus of the image, and the text 'Questions?' is written in large, bold, red letters on it.

Questions?

Complete the Assessment
and start on your new path to



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