



## Is your company sellable?

It has often been said that all businesses can be sold, it just depends on what price you put on the business. If a business has been losing money and does not have a future of making a profit, then the value of the business to a potential buyer will be fifty cents on the dollar for the hard assets as a rule of thumb. Generally, in this scenario, the buyer will not purchase the stock of the business, but rather selected assets. If your company is profitable and has been for 3 to 5 years, then one would conclude that the company is sellable, however there are a few things you need to consider that we will cover over the next few newsletter issues:

1. Are the profits transferable? The first question that pops up with a business is just that...is it a business or just a job? Believe it or not both can be sellable under the right conditions. For those businesses where the owner can be replaced without a disruption in revenue, you truly have a sellable business. One rule of thumb to follow is this: if you can go on extended vacations without the business revenue diving downwards you own a business and not a job. If you own your own company, but you, as the owner, are indispensable and the customer base comes only to you and will not go to just anybody else easily, then the value of your business has been compromised and the ability to successfully transfer the customers/clients/ patients to another service provider is the key questions that will be asked by the buyer. In growing your company, it is very important that you work to develop an organizational structure that is not solely dependant upon you. If this is fairly impossible, then you will find that you will have to stay on board with the new owner while you slowly transfer the customers/client/patients to your successor. Many times, the value of the company will then be based on an "earn out". An earn out is a payment plan based on the revenue from the customers/clients/ patients that the new owner is able to retain.

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