



## **Selling Your Company Is Likely Going to Be a Bumpy Ride. Here Is What You Can Do to Make the Process Easier.**

There are almost no deals I have done over the last 12 years which have gone silky smooth from beginning to end. Selling your company is almost always a bumpy ride that will test your patience and commitment. But here are some things you can do to make the ride a little easier.

Firstly just realizing that they will almost always be bumps along the way helps. Prepare yourself emotionally for the bumps.

Secondly, although it may seem unconnected, make sure you are selling for the right reason- something beyond just the money- like retirement or another business venture. Those that sell just for the money almost always get frustrated when things don't happen perfectly. My best deals have all had the owner committed mentally and emotionally to something other than the purchase price.

Thirdly make sure you have really committed to selling. Don't be undecided because when the bumps come – and they will come- you might well get deterred and decide to back away from the sale. The problem with backing away, when you come back the sale process is almost always more difficult.

Fourthly, have your “ducks in a row” in regards to your books and (if you are an alarm company) your monitored accounts before you sell. This means having 3 years of financial statements done by your outside accountant. The last two years should show good financial results. If it is accounts you are selling, make sure you have signed contracts, your panels programmed to your lines (not directly to the station's lines), and monitoring rates above \$25/mth. It is amazing what a good impression having well-constructed financials showing good results can have on a buyer.

Next, pull a team together in advance and let them know you are selling. By team I mean, at a minimum, your accountant and your lawyer. The buyer will likely have a team of advisors on his side. You need your team. Everyone's input can be useful. Make sure the lawyer you are using has closed deals before.

Bite the bullet and hire a broker or intermediary to help you sell. But make sure the broker knows something about your industry and has closed deals. Here is what a broker will do for that others cannot. They will know the process for selling small businesses which you probably do not. They will do most of the work of selling your business while you continue to run it and selling a business takes a lot more work than most realize. They will provide a rough valuation if you don't already have one. Also having a broker helps maintain confidentiality. Moreover, they can provide objectivity when you are not in tune with what a buyer is asking. And what many do not realize is that having a broker increases the chances of actually getting the deal closed and closed in a shorter period of time. Finally, the stats show using a broker almost always increases your selling price. Talk to someone who has used a broker and you will see why it is a good idea.

Next, if you have not readily done so, get a proper valuation done on your business. Security companies often have a significant amount of recurring monthly revenue which is valued more highly than regular installation or service revenue. Many Chartered Business Valuators undervalue RMR and in some cases significantly. The valuation you arrive at may not mean your final selling price will match, but if done correctly, the valuation will give you a good idea of what your business is worth

Be realistic about your expected purchase price. Most owners overvalue their business and not based on any professional opinion. Small businesses are generally valued anywhere from 3 to 5 times their annual earnings. To get multiples in the 6 to 8 times earnings you have to be a \$10-\$20 million dollar company in terms of revenue with good margins, attractive earnings, and an attractive growth rate.

If you have all these pieces in place then you have the basics in place. From here it is important to prepare yourselves for the process.

Selling a business takes time- longer than you think. I don't think I have sold even the simplest of businesses in under 4 months. Several businesses have taken me 18 months to sell. Whether you are selling the business on your own or using the broker, think about spending well over 100 hours on the deal. I have spent more than 200 hours on many deals. This is one reason why it pays to hire a broker. On balance I suggest to owners of fire, guard, and integration businesses that they should allow 9 months to complete a sale. A sale of monitored accounts can be less.

Prepare yourself for bumps along the way. A buyer will not like something about your business or will want to dig into some aspect of it that will seem irrational to you at the time. Or your first sorties out into the market may turn up lousy offers. Some buyers will turn out to be tire kickers- not seriously interested in buying at a fair price but rather looking for a big bargain. A good broker can spot them a mile away. You will need resilience to get to the finish line along with a good deal of patience.

Never underestimate how much detail there is in completing the sale of a business. Put yourself in the buyer's shoes and you will understand why there is so much detail. Endless back and forth to the buyer or your broker. Even more, detail when it comes to closing the deal.

Finally to state the obvious don't expect to get your purchase price paid all upfront at the closing particularly in these days with covid still around and increased perceived risk to most buyers. Be prepared to take a hold back, an earn-out, or some form of seller financing.

One of my best clients ever was Martin Wormald of Trent Security in Peterborough. He made up his mind it was time to sell and stuck with me 100% through the process despite some early setbacks. He wanted a good price but selling was about more than that for him. He had an excellent lawyer and accountant by his side and was very organized all the way through the process. No detail was too small.

Selling your company is a "process" and there will be bumps along the way. Prepare yourself in advance by taking the steps mentioned above.

Harding Security Services Inc  
[victor@hardingsecurity.ca](mailto:victor@hardingsecurity.ca)