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Selling a Company Successfully

Let's identify some of the most important factors that make for successful sales of companies. Here I am going to refer to my own experience and also to a very useful 2021 report from the website Opnroad.io, which provides a litany of services related to the sale and purchase of companies.

The following pieces of advice for owners are useful in helping to guarantee a successful sale of your company.

You must be clear about the objectives of a sale and what you are going to do after: Sellers who know exactly why they are selling and know what they are going to do after the sale are more likely to experience a successful sale. A footnote here: don't be totally focused on the price you want to get.

Set up your company to reduce risk for the buyer: This includes making sure the company does not depend on you, the owner 100%. Establish a management team that can run the business in your absence. Secondly, make sure that no single customer accounts for more than 10 percent of your annual revenue. Thirdly, in the alarm world, make sure you have at least 90 percent of your monitored accounts covered by a signed monitoring contract. And, finally, be prepared to stay on after the deal closes to help with the transition. This minimizes risk to the buyer.

Plan your exit well in advance: Successful sales are mostly all planned months and years in advance. This includes selling at a time when your financial results look their best and the economy is doing fairly well. It also includes selling when you have at least three years of proper financial statements to show the buyer.

Get your company valued before you sell: This may seem obvious but you would be surprised at how many owners contact me saying they want to sell but they have not had their company valued and they don't know what it is worth. Do not enter a sale process without some idea of value.

Have a good team of advisors in place: This includes an accountant, a tax advisor, a lawyer who has done M&A work and a broker who has experience closing deals in your industry. In my experience, too many owners do not get good tax advice far enough in advance of a sale.

Several different factors can contribute to an unsuccessful sale of your business. I can think of at least four different kinds of unsuccessful sales.

You put your company up for sale and it does not sell at all: Unfortunately, this situation happens more than it should and there are lots of reasons why — an unrealistic selling price to begin with, not being properly prepared for the sale, not really being committed to selling or a seller being unrealistic/difficult to deal with.

You sell your business but didn't get what you wanted: Most sellers over-estimate what their company is worth. A certain amount of this is natural. Where this becomes frustrating is when the seller has heard things

like, you can sell any number of monitored accounts and get 36 months of revenue. Or the seller does not know about the standard deductions in alarm deals for deferred revenue and fixed-line costs for cellular. Or in the integration, fire or guard world, the seller does not realize they don't get extra value for their fixed assets used to create the company's revenue in the first place or they have to turn their company over with a certain amount of working capital included in the price. The best advice here is to know what your company is truly worth and how the process will unfold ahead of time.

You sell your company but the deal takes a big toll on the seller or the buyer (or both): Having unrealistic expectations on how long a sale can take at the outset can be a problem. I tell all my clients that even the simplest small account sale can take four months. Selling fire, guard and integration businesses can take a year. Having a broker between the seller and the buyer to monitor the progress, eliminate roadblocks and explain each side to the other goes a long way to helping to avoid this kind of situation.

You sell your company but the buyer does not take good care of it: This happens more than anybody would care to admit. The most common reason I see for serious value being destroyed (besides the one where the buyer should not have bought the company in the first place) stems from lousy integration on the part of the buyer. Integrating an acquisition properly is crucial to holding onto value.

On a more positive note, owners need to know that successful deals happen all the time. But many factors must be in place to allow this process to run smoothly.

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