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Selling Your Heavy Equipment Dealership

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The biggest mistake business owners make is waiting too long to sell. Have you ever heard, "I sold my business to early?" Compare that with the number of times you've heard somebody say, "I should have sold my business two years ago." Unfortunately, waiting too long is probably the single biggest factor in reducing the proceeds from the sale of a privately held business. The erosion in business value typically is most pronounced in that last year before exiting. The decision to sell is often times a reactive decision rather than a proactive decision. An individual who spends 20 years running their business and controlling their outcomes often behaves differently in the exit from his business. The primary reasons for selling are events such as a serious health issue, owner burnout, the death of a principal, general industry decline, or the loss of a major customer. Exit your business from a position of strength, not from the necessity of weakness. Don't let that next big deal delay your sale. You can reward yourself for that transaction you project to close with an intelligently written sale agreement containing contingent payments in the future if that event occurs.

Figure out what you will do with your time after you are no longer working sixty hours per week. We all create business plans both formally and informally. We all plan for vacations. We plan our parties. We need to plan for the most important financial event of our lives, the sale of our business. Typically a privately held business represents greater than 80% of the owner's net worth. Start out with your plans of how you want to enjoy the rewards of your labor. Where do you want to travel? What hobbies have you been meaning to start? What volunteer work have you meant to do? Where do you want to live? What job would you do if money were not in issue? You need to mentally establish an identity for yourself outside of your business.

Get your business ready to sell. Now that you are all excited about the fun things you'll do once you exit your business, it's now time to focus on the things that you can do to maximize the value of your business upon sale. This topic is enough content for an entire article, however, we will briefly touch upon a couple of important points. First, engage a professional CPA firm to do your books. Buyers fear risk. Audited or reviewed financial statements from a reputable accounting firm reduced the perception of risk. Do not expect the buyer to give you credit for something that does not appear in your books. If you find that a large percentage of your business comes from a very few customers, embark on a program immediately to reduced customer concentration. Buyers fear that when the owner exits the major customers are at risk of leaving as well. Start to delegate management activities immediately and identify successors internally. If you have no one that fits that description and you have enough time, seek out, hire and train that individual that would stay on for the transition and beyond. Buyers want to keep key people that can continue the momentum of the business. Analyze and identify the growth opportunities that are available to your business. Get rid of that outdated inventory. The buyer will not pay you for it anyway and it just clutters up the place.

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When you are wearing all the hats already, trying to sell your company yourself can hurt your business. A major mistake business owners make in exiting their business is to focus their time and attention on selling the business as opposed to running the business. This occurs in large publicly traded companies with deep management teams as well as in private companies where management is largely in the hands of a single individual. Many large companies that are in the throws of being acquired are guilty of losing focus on the day-to-day operations. In case after case these businesses suffer a significant competitive downturn. If the acquisition does not materialize, their business has suffered significant erosion in value. For a privately held business the impact is even more acute. There simply is not enough time for the owner to wear the many hats of operating his business while embarking on a full-time job of selling his business. The owner wants the impending sale to be totally confidential until the very last minute. If the owner attempts to sell the business himself, by default he has identified that his business is for sale. Competitors would love to have this information. Bankers get nervous. Employees get nervous. Customers get nervous. Suppliers get nervous. The owner has inadvertently created risk, a potential drop in business and a corresponding drop in the sale price of his business.

MidMarket Capital, Inc., MMC is an M&A Advisory firm specializing in providing corporate finance and business broker services to entrepreneurs and middle market corporate clients in the Equipment Distributor, Construction, and select niche markets. MidMarket Capital is a member of Associated Equipment Distributors, AED, International Business Brokers Assn, and Midwest Business Brokers. The firm counsels clients in the areas of mergers, acquisitions and divestitures, exit planning, family business issues, valuations, corporate growth and turnarounds. Dave Kauppi began his Mergers and Acquisitions practice after a twenty-year career within the financial and information technology industries. Brad Kirkpatrick brings a broad background including commercial lending, financial analysis, consulting, heavy construction, and business ownership. Contact Dave Kauppi at (630) 325-0123, davekauppi@midmarkcap.com or Brad Kirkpatrick (563) 886-1930 bradk@midmarkcap.com http://www.midmarkcap.com

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