Selling Your Business

What is Involved?
&
How can you Prepare to Make The Process Easier?

The Gateway to Buying and Selling Your Business in Thailand…

The Key Benefits of Using a Business Broker

Selling a business is usually a very intimidating and time-consuming process. There may be legal, tax, accounting, and regulatory issues to address. Business brokers and agents deal with these issues and negotiate business deals on a daily basis. They are professionals with a fiduciary duty to you, and they are authorized to act on your behalf in coordinating the transaction.

Experience and Skillful Negotiators

For many people, selling a business is not an event that occurs often. A competent business broker has spent several years developing an understanding of the current market and acquisition process, and he or she can assist you in pricing and marketing your business. A broker has access to recent sales histories on similar companies that help to determine an unbiased and accurate assessment of your business. Furthermore, a broker handles the technical aspects of the sale such as structuring the transaction and liaising with other professionals that help in the selling process.

Professionals

The reputation of the broker affects how the market perceives your company. A reputable broker takes the time to understand your business and work on a strategy to market it to potential buyers. He or she has the resources to compile selling documents and display them in a professional manner not only to buyers but also to their accountants, bankers, and attorneys who help in assessing the business.

Confidentiality

Most business owners want to keep their anonymity when selling their business. In the role of an intermediary, the broker serves as a buffer between you and prospective buyers. This decreases the chances of a leak of confidential information to employees, customers, suppliers, and competitors, which could negatively impact your business.

The Biz X-change™ *by Business Mission Asia Co., Ltd.*
9th Floor, The Fifth Building, Soi Pipat
Silom Road, Bangrak
Bangkok 10500 Thailand
Tel. 66-2-636-7602
Fax. 66-2-636-7007
info@thebizxchange.com

Fundamentals of Selling A Business - Preparation

Business owners invest much time and effort into their businesses, and most arrive at the hard decision to sell their businesses at some point in time. There are various reasons for selling a business, and although each circumstance is unique, most owners have similar incentives and concerns. It is an emotional and difficult process, and the most advantageous deal is achieved by understanding the steps and factors that determine the best time to sell.

After the decision to sell has been made, there are a number of preparatory measures that make your company more appealing to potential buyers, and they may take from two to twelve months to implement.

Financial Statements

You should obtain the most recent profit and loss statement from your accountant. It is preferable to also get the past two to three year's statements to show a historical trend and profile. The profit and loss statement shows both parties the income earned and costs incurred in the accounting period, the difference of which is the net profit.

You should address how you can strengthen or better document your company's financial health. Many owners minimize taxable income by using techniques to hide their earnings, however the smart buyer will recognize such tactics. Buyers will normally recognize the company's observable profits and will not pay for earnings that are not clearly documented. Since businesses are bought on a basis of multiples of earnings, the investment of taxes paid for a year or two would be repaid in multiples of that amount in a sale.

You can increase buyer confidence by having your statements audited, which will accelerate the selling process and prevent delays in closing the sale.

Physical Condition of the Facility

The condition of the business facility indicates how you operate your business but more importantly, it gives potential buyers a good impression of what they are buying into. You should do what is necessary to make your business facility more presentable such as repainting the interior and exterior, reconfiguring the business to convey a productive and efficient working environment, making minor repairs, or simply removing garbage from the storage and work area.

Business Records

You should organize your business records such as any articles of incorporation, tax records, leases and contractual agreements, and payroll records. You should gather documentation relating to patents, trademarks, copyrights, licensing or franchise agreements, and bank loans.

If your business requires a license or permit to operate, ensure that it is current and readily transferable. You should get a hold of the necessary paperwork that would help transfer the license or permit to the new owner.

Businesses are either located in a leased or owned facility. If it is leased, you should check that you have a copy of the lease for review. Potential buyers are concerned with the lease terms, especially with the number of years remaining on the lease. It is optimal to have at least three years remaining which can be transferred to the new owner. You may want to negotiate with the landlord for an extension or an option to renew, and you should find out the conditions that must be met for a lease transfer, assignment, or sublease. If the facility is owned, you should have the property appraised.

Fundamentals of Selling A Business - Negotiating and Closing the Deal

Prior to negotiating the deal, you must establish clear and achievable goals. Ten practical tips for successful negotiations are as follows:

1. Focus on goals.
2. Do not expect to win every battle.
3. Understand the other party's wants and needs.
4. Do not get emotional.
5. Be flexible.
6. Listen to the other party.
7. Never be afraid to walk away from a deal.
8. Never threaten to walk from a deal unless you mean it.
9. Deal honestly and openly.
10. Do not over negotiate.

The Biz X-change™ by Business Mission Asia Co., Ltd.
9th Floor, The Fifth Building, Soi Pipat
Silom Road, Bangrak
Bangkok 10500 Thailand
Tel. 66-2-636-7602
Fax. 66-2-636-7007
info@thebizxchange.com

Letter of Intent

Once both parties agree on the major terms and the price for the business, they customarily enter into a formal agreement known as the Letter of Intent. This document outlines the general business terms between the buyer and the seller. These terms should include the names of the parties, the business for sale, the agreed purchase price, and the terms and structure of the agreement. This is not a binding contract, but it is used to provide information on mutually agreed upon terms that are to be incorporated into the formal, legally binding contracts. At this stage, a deposit is requested from the buyer, which would be held in trust.

Due Diligence

In this last stage, the buyers would have the opportunity to verify the information provided to them by the seller. Buyers focus on areas such as:

* Corporate organization and ownership
* Products and inventory
* Customers and suppliers
* Management and employees
* Sales and marketing
* Facilities and equipment
* Reporting and control systems
* Financial results and balance sheet

It is likely that the buyer's accountant is involved in the due diligence process to perform a financial audit and verify all past financial records. If the business is incorporated, the buyer's attorney may thoroughly review your corporate documents and legal standing.

Purchase Agreement

The purchase agreement details all the legal and financial aspects of the deal as well as the business terms and structure of the deal that were outlined earlier in the Letter of Intent. This contract is legally binding.