

Financing the Business Sale: 6 Questions to Know

How the purchase of a business will be structured is something that must be dealt with early on in the selling process. The simple fact is that the financing of the sale of a business is too important to treat as an afterthought. The final structure of any sale will be the result of the negotiations between buyer and seller.



In order for the sale to be completed in a satisfactory manner, it is vital that the seller answers six key questions:

1. What is your lowest “rock bottom” price? It is important for sellers to know what is the lowest price they are willing to accept before they begin negotiations. Far too often, sellers have not determined what price is their “lowest price” and this can literally cause negotiations to fall apart.
2. What are the tax consequences of the sale? Just as sellers often don’t know what their lowest price is, it is also true that sellers often don’t think about the tax consequences of the sale.
3. Interest rates are no small matter. It is important to determine what is an acceptable interest rate in the event of a seller-financed sale.
4. Have unsecured creditors been paid off? Does the seller plan on paying for a portion of the closing costs?
5. Will the buyer have to assume any long-term or secured debt?
6. Will the business be able to service the debt and still give a return that is acceptable to a buyer?

Studies have indicated that there is a direct relationship between more favorable terms and a higher price. In particular, one study revealed that offering favorable terms could increase the total selling price by as much as 30 percent!

M&A Advisors are experts in what it takes to successfully buy and sell businesses, and this is exactly the kind of insight and information that they have at their disposal. Experienced M&A Advisors are able to use their knowledge of everything from current market conditions and financing strategies to the knowledge of previous sales and a given geographic region to help facilitate successful deals.

Usually, selling a business is one of the most important things that a business owner does in his or her professional lifetime. M&A Advisors understand this fact, and they understand the importance of making certain that the deal is structured correctly. The facts are that the way in which a sale is structured could mean the difference between success and failure.

Structuring a deal in such a way where it is the best possible deal for both the buyer and seller, helps to ensure that a deal is successfully concluded. Working with an M&A Advisor is one of the best way to ensure that a business will be sold.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.