



# Are you Ready to Sell?

Report by Shawn R. Murphy, Orono Realty



Allied Member

## Overview

Perhaps you have had a long run at it and are ready to be on the other side of the bar for a change. Perhaps you recently purchased and decided hospitality isn't right for you. Regardless of your reason, chances are you are sitting on some equity and want to ensure that when you do sell, you get that equity out.

This report will help you decide if now is the right time to make that decision by accomplishing two goals:

## Goals

1. Help you get the most equity for your investment.
2. Educate you on the process of selling your investment.

## About Shawn R. Murphy

Shawn has well over a decade of understanding how your business works. He has bought and sold dozens of properties and can help you assess what your investment is worth, market your investment, and facilitate the transaction.

He is a proud veteran of the war in Afghanistan and a member of the Minnesota Licensed Beverage Association (MLBA), Minnesota Real Estate Investment Association, Minneapolis Association of Realtors, and President of the North Loop Network.

The logo for Shawn R. Murphy Residential & Commercial. It features the name "SHAWN" in large, bold, black capital letters, followed by a small "R" with a double-headed arrow pointing left and right. Below this, the word "MURPHY" is written in a larger, bold, black sans-serif font. Underneath "MURPHY", the words "Residential & Commercial" are written in a smaller, black sans-serif font.

**SHAWN R**  
**MURPHY**  
Residential & Commercial

## Contact Us

Whether you decide to use my services or not, I wish you the best of luck as you make this decision. I am happy to answer any questions you have about the process.

Shawn R. Murphy, Orono Realty

651.246.6383 Direct   shawn.r.murphy@gmail.com

## Get the Most Equity

You have worked hard. Long nights dealing with patrons, ordering inventory, working with employees, we understand. You deserve to get equity out of your investment. Below are a few tips that you can do now, to help ensure that happens:

1. **Have clear, transparent financial records.** Automated systems like Quickbooks, Simple-Order, Jolt, and more help the transparency with records. If you don't use software, be prepared to show your tax-returns during the due diligence period. Many investors or owner-operators will want to see evidence of your sales and expenses.
2. **Clean Up the Fat.** Perhaps you have taken a "business" trip or two to Hawaii on your business. Perhaps there are expenses that shouldn't necessarily be with the business. We encourage you to keep a clean operation and only spend cash on things that are needed for the business. Tighten the purse-strings and clean up the bottom line.
3. **Fix the problems.** This goes with both the structure (if you own it), and the operation (such as employees.) Owner-Operators and investors want to buy the best possible investment. Things like problem employees, broken windows, and broke-down equipment are red flags for buyers.
4. **Don't Give Up.** Owners and sellers often throw-in-the towel when they decide to sell. Keep in mind that potential buyers will want to see 3 - 5 years of positive growth with the business. You need to do what you can to keep up sales and operations to ensure you can show growth, even when selling.



While doing the above mentioned tips will greatly increase your potential to sell your business, we have assisted folks in selling their business at all stages of their business, from highly successful to bank-owned. We are happy to help you with yours!

## The Process of Selling

Unlike selling your home, (which we are happy to help you with), selling a business is a bit more complex. Buyers look at numbers, reports, and history, much more than things like curb-appeal and walk-in closets. I am happy to help you navigate the process and make it as smooth as possible for you.

1. **Your decision.** Once you have made your decision, stick with it.
2. **Find an agent.** Don't use the local guy/gal in town. You need an agent that has experience in marketing businesses.
3. **Get your records in order.** This is a very important step. The more records we can show potential buyers the better. We will of course have those buyers sign Non-Disclosure Agreements (NDAs) to ensure that the information doesn't leave their heads.
4. **Broker's Price Opinion.** Your agent will help you decide how much to sell your business based on records, sales, history, future projections, inventory lists, trade fixtures, real estate pricing, and more.
5. **Time To List.** A good agent will use all marketing resources they have available. Unlike most business brokers, I am a member of the Multi-Listing Service (MLS) which will reach hundreds of thousands of potential buyers. I use conventional and unconventional marketing tactics based on the level of exposure you are comfortable with.
6. **On the Market.** Keep in mind that while it may take just a few weeks or months to sell a home, there are less people looking to purchase a business. A good agent continues to update you with reports as to what he/she is doing to market your business.
7. **An Offer.** Offers are only good if they are on paper and backed up with Earnest Money. Make sure you have a solid purchase agreement backed by good financing and a solid down payment. The offer will most likely include a due diligence contingency, to allow the buyers to review your records prior to closing. Businesses with real estate will include an inspection contingency as well, similar to a home inspection.
8. **Closing.** The closing will most likely consist of the following: A Bill of Sale, transferring the business assets to the buyer, an assignment of lease, which transfers the lease to the buyer (or a warranty deed in the case of real estate), and potentially a security agreement, which has the seller retain a lien on the business. Most buyers will also ask you to sign a non-compete agreement, so you don't open a new business right next to the one you just sold.



## What's My Business Worth?

While there are dozens of factors that go into determining the value of your business, below are some inputs:

Annual earnings before interest, taxes, depreciation, and amortization.

"Excess" compensation paid to owners.

Anticipated rate of earnings/compensation growth (by percentage)

Number of years your earnings are expected to grow (with 10 being perpetuity)

Discount of marketability



## When You Make the Decision

When you do decide to sell, please give me a call. I am transparent with how I do things and get straight to the point. I will work hard to market your business and assist you every step of the way.

Thank you for reading our report and I look forward to speaking with you in the future!

# Shawn

Shawn R. Murphy

Orono Realty - Commercial Group

651.246.6383 Phone

shawn.r.murphy@gmail.com

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**SHAWN**  **R**  
**MURPHY**  
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