
James Schramko here. Welcome to SuperFastBusiness.com. Today's topic is exit planning. Building your business the right way to sell it. I've brought on a special guest, Thomas Smale from feinternational.com. Welcome.

**Thomas:** Hey James. Thanks so much for having me on.

**James:** So we should just be clear. There's a couple of points, there's two phases, so to speak. One is when you've got your business, you want to start thinking about your exit planning. That's the first phase and then the second phase will be the sale of the business itself. Your company actually focuses on the selling part if someone doesn't want to do it themselves. Why don't we first talk about what are the differences between selling a business yourself versus using a company to sell it? And then I think we'll spend most of our time on the exit planning phase because that's something we're going to do regardless of who sells the business.

**Selling a business: DIY or via a broker?**

**Thomas:** Yeah OK. So the way it works with a broker… So whether it's us or whoever it's going to be, it's reasonably similar in their approach versus selling for yourself. I mean one of the main reasons you use a broker is they've got experience throughout the selling process, preparing your business to sell, presenting it to buyers, dealing with buyers. So you might have asked us to spend some time with you upfront, going over your financials, asking a bunch of questions about the business, preparing sales materials. So that's not necessarily saying you can't do it yourself, but we've got a structure doing it and it's really based on feedback from literally thousands of buyers over the years as to what they want to see.

So while this is standardized internally, it's built around a logic on what buyers have asked for. Whereas if you're doing it yourself, you don't necessarily know what buyers want to see. You might think you know but in reality, what buyers want and what you think might be quite different. From there, if you work with a broker, you've got existing buyer contacts, but if you're dealing yourself, you might have a few friends or peers who might be interested in the business, but chances are you don't know literally thousands of buyers actively interested in buying a business. So the initial reach you're going to get is going to get lower.

We find that the majority of buyers we deal with take maybe a year or 2 years to make a decision on the business they want to buy. So if you're just selling one business, the odds of that particular buyer buying your business is quite slim, whereas if you're dealing with a broker, you might have dealt with someone who has already listed up five businesses before and said no. And then when your business gets listed, it's the one they want to buy. So that's another advantage.

**James:** OK. Just a quick recap there. You're dealing with someone with lots of experience and lots of data points really and a database of buyers and you know what the buyers are looking for and wherever they're at in the cycle, you always got a pool of buyers. So they're all positives. You've got a couple of more there?

**Thomas:** Yes. Once you've got through that stage then that should start the negotiation stage which I mean most business owners are probably capable of negotiating, but one of the things you should do is a broker or any third party that removes a lot of the emotion from the process. So I've seen entrepreneurs who are passionate about the business, they like their business, so when they come to selling, you can be quite emotional and kind of almost irrational in the process.

Whereas the job of a broker, while they want to sell the business for you, they've got to be objective and help you make rational decisions so you don't want to take a real bad offer just because you kind of get fed up with the length of the process or you don't like a particular person. So you don't want to deal with them at all. So that third party objectivity is important. It's all necessary, a broker, you could do with a friend or whoever, just as long as you're not the person, the business owner is the one negotiating.

And then from there, like getting an offer on a business, a lot of people gets to the stage where independently, they can get a lot of interest or get an offer, but there's a big difference between getting an offer on a business and actually getting the cash in the bank and getting it closed. So an experienced broker you get will be working for your offer process, making sure that the terms you accept are good and you haven't missed any kind of traps in an offer that often quite experienced buyers try to put in, walk you through the decisions process and make sure that what the buyer is asking for you is reasonable. And then they'll like treat a contract negotiation so we're pretty heavily involved all way through like drafting, making sure the agreement is fair for both parties, usually saving parties, especially the seller, a lot of cash on legal fees, accounting fees, throughout the broker, you shouldn't really need an accountant or a lawyer, except just for like reviewing contracts.

And then all the way through the closing, so making sure that the transaction is safe, so once you're on a contract using an escrow service, transfer in the business properly, making sure that you're protected on that front. So a lot of it is experience, a lot of it is, I guess, objectivity throughout the process, and they'll see the plus side of having suddenly already got you thousands of buyer contacts versus the probably tens of contacts you might have yourself. So that's like a reasonable summary of why people might use a broker versus trying to sell themselves.

**James:** OK. Now I imagine there's plenty of different brokers out there, what are some of the things that you see other brokers are doing that might make it not ideal to sell through a broker?

**Why it's not ideal to sell through a broker**

**Thomas:** The broker industry, like many in the industry is extremely competitive, so you get a lot of brokers out there especially those who are trying to get businesses in, who upfront might set very unrealistic expectations with a seller, so they might attract you with really high evaluation, really low fees, or like really short expectation period to actually sell the business. So a business that's worth half a million dollars, they might value a million dollars known if you go speak to another broker, he values at half a million, you're quite likely to get with them.

**James:** So it's like the old real estate listing trick.

**Thomas:** Yeah exactly. It's not unique to brokerage, but it is saying that we see it quite often. The other one is like timing. So quite often, selling a good business, while there's lots of buyers out there who are interested and don't sell overnight nor shouldn't sell overnight, if your business is selling like one day, like little preparation then there's probably something wrong with the process and you want to make sure that you're getting the best possible deal. So sometimes brokers will attract you to them and that could really short time frame, like, sell the business in two days, but in reality, that will get you to a situation where you accept a bad offer or you accept an offer that's not really structured in a particularly good way.

**James:** Does the broker only get paid if the website is sold or the business is sold?

**When to pay the broker**

**Thomas:** Yeah.

**James:** So they're very keen to sell the seller on selling.

**Thomas:** Yeah. I mean I guess there are two broker models. I mean part of the reason I had ventured in the industry in the first place like 5 years ago, was that the traditional business broker model is: attract a lot of sellers and then over the course of a year, you might sell 10% to 20% of the business on your list because that approach is you're kind of left alone and occasionally deal with business to sell regardless of like your advice or expectations, and they don't really mind because they're still getting paid on those couple. They're not getting paid on the rest but that's just I guess cost of doing business with them.

Whereas our approach has always been if we take it all, put like maximum focus, give the right advice upfront. So it might mean we lose in business while the brokers, just by being honest and upfront, our success rate for a seller is 93% versus the 10% or 20% you might get more traditionally. Like you said obviously, the broker is incentivised to get the sale done, but some will kind of put a lot less work and do a lot of deals at one, whereas our approach is more put a lot of time into a deal and sell almost everything.

**James:** And what sort of fee structure is someone going to be looking for when they sell their business, and a side question to that is what is the typical sort of business that is like a sweet spot for you?

**What structure to look for**

**Thomas:** For you it will depend, but the main majority brokers, if you've got a small business, say $50,000, you'd expect to pay 15%, if you have a bigger business, say $500,000, then it will expect to pay 10%, and anywhere in between 10% and 15%, depending on the size of the business.

If it's much larger like in the multi-million dollar range, and that for you might come down to 9%, 8%, 7%, 6% as it goes up. In terms of for us, for our sweet spot, I mean we're quite versatile and the range that we deal with, we sell sites in about $20,000 to $30,000 up to $2 million or $3 million. The majority of our deals are in the $50,000 to $500,000 range. We do a lot of volume at that level. When we say we deal with online businesses, we sell online based, chances are we sold things similar before, but we do a lot of e-commerce businesses, we do a lot of AdSense, Amazon, affiliate-type content sites. We do a lot of SaaS businesses. We really do a real range. But I mean the sweet spot for us is more on size rather than business model.

We've got so many buyers, so that's like time and resource, investing and finding buyers, as long as it's online based, chances are we've got a buyer in our list making sure it's at the right size.

**James:** And for the different categories of sites you've mentioned, whether it's e-commerce or affiliate AdSense sites or SaaS, I imagine you also do services from time to time, are there very different sale valuation methods? Is it usually some kind of a multiple of profit?

### Sale valuation methods

**Thomas:** Yes. We use what we call SDE, which is seller discretionary earnings, which is very similar to net profit, except we do what we call is adding back at a discretionary cost. So for example, owner salary, anything that the owner's taken out of the business that's not relevant to running the business gets added back. So it's factoring the net profit and then you take out any cost that the earners include to richen, really, themselves, because from the cash perspective most business is like through on as close to zero as possible, whereas when you're selling your business, you want to make that net number as high as possible.

**James:** If you had to replace the owner though, you'd guess you'd have to allow commercial salary for that role.

**Thomas:** Yes. You take it into account. But we don't generally take it into account as a cost in the P&L but we take it into account with a slightly low evaluation. So multiple ways. Let's say you've got a business that nets $100,000 and you've got an owner who works 40 hours a week, and then you've got the same business making $100,000 but he only works 5 hours a week, then we wouldn't necessarily adjust that number, but we will adjust the multiple of the business's worth. So the business with 5 hours a week is going to be worth more than 40 hours a week.

**James:** How much would both of those businesses be worth roughly?

**Thomas:** I mean it varies. Like you mentioned, all the different types of businesses, they're going to attract slightly different multiples. Generally speaking, the lower end of the threshold is like one-time service businesses, especially if they're quite on the line, so you can see them going anywhere for 1 to 2 ½ times annual net, multiples of one, it's like a full time job and it's quite specialized. Whereas if got like completely outsourced, you've got like recurring client, then you might expect more, like 2 ½.

SaaS businesses… anything recurring, we can go anywhere and up to 4 to 5 times the annual net for small businesses that level, especially if it's growing, and you're just looking at the last 12 months. But I mean in general, I think the average multiple in the last 12 months is about 2.7 times. So a fair estimate, if you don't know your definite, variable-wise would be 2 to 3 times the majority of business, which will show somewhere in that rank.

**James:** Excellent. That's very comprehensive especially on the selling part Thomas. Now, we're just going to switch into the exit planning phase. I think that's something that would be really interesting for someone thinking about selling their business because it would prepare them well to lead up to dealing with a broker. Let's start first with why would we even want to sell our business? What are some of the main reasons that you see people want to sell, and is it important to frame this with the buyer?

**Reasons for selling a business**

**Thomas:** Yes. I think firstly with exit planning, a lot of people think they should only be exit planning if they're actually planning on selling their business, but I think it's important regardless of whether you're not thinking about doing it to doing it anyway and be saying it at the back of your mind.

In terms of reasons people sell, it's definitely saying that, "Buyers, look out," because from a buyer's perspective, quite from people who sell businesses, when they're kind of been like semi-abandoned, the owner might have moved on to new things, they want a safe out. If they've moved on to new things because that business is dying or if they need to look at some of the other things going on. So that's probably the number one reason we get is usually entrepreneurs or serial entrepreneurs, you have multiple ventures and they just want to focus their time, energy and cash on one business, and the business they're selling might no longer be core for whatever reason.

Sometimes, especially on the low end markets, sometimes we're dealing with sellers who might just got off the new job or they've just relocated, they've spin off with a partnership and a business, their business just got funding, so they want to move on to new things, for whatever reason they just no longer have time to run the business. I guess less common for us but really more traditional with business brokers is retirement. You don't find though that many online business owners who are nearing retirement. But I mean they also come up. Sometimes people just want to free up some space.

We deal with a few people who I guess buy and sell businesses quite regularly and that is their business. So whether you want to call it business flipping, website flipping. So we do deal with some people who build businesses out of purely intention of selling them after, say 1 or 2 years, or they might have brought them from scratch and then they let to sell it. So that would pretty be the main reason that people sell. And it's definitely saying, "Buyers, look out," because they want to make sure that the seller is leaving the business for the right reasons rather than the business falling apart, which is another reason that people sell. The business is on a decline, they don't know how to fix it.

**James:** Like when people trade in their car when their engine is about to fail.

**Thomas:** Yeah, exactly.

**James:** Do you have any statistics on how many businesses you sell, how they're performing like a year or two after the sale? Is there any sort of metrics tracked in that regard?

**Stats after the sale**

**Thomas:** Yes. We do tend to follow up with people. What we find is that sometimes people buy business with the intention of doing a lot of work to it then don't. The majority of businesses will remain I guess if you let, say, 80% of the business we sell, they're going to be plus or minus 20% after a year. We deal with some that are significantly larger, so it's not uncommon to see a business bought and actually followed through with a plan, especially when businesses are particularly solid when they are bought and the owner is selling it because they've been focusing elsewhere and someone buys and does focus.

We see businesses that maybe go 5 or 10 times bigger in a year. The occasional businesses that's kind of struggling and drop a little bit, that's usually if the owner's not put in the work that they should. We tend to be quite a big issue in general whereas people take on businesses and they don't spend enough time figuring out whether or not they're actually better running the business, and then they just kind of neglect it and it kind of gradually declines because regardless of what someone tells you, every single basis is going to need at least some attention.

We did track metrics on outright scams, like how often we get offers that tend out to be a complete fraud. And I think I worked 350 deals, and then had one offer that's not done as well as I should have done. So generally speaking, dealing with a decent broker, you're not going to have any issues on that from, especially if you work for like a structured diligent process which we do now.

**James:** I think you dropped a good hint too about following the plan. I think when it comes to exit planning, I'm sure one of the things that you will need to do is outline what the next steps for the business might be to a potential buyer. Let's talk about preparing the business for sale. We've really comprehensively covered why you might do it, we've had a look at what sort of success or failure rates are happening for people who'd take on the new business.

Now we've got to talk about what can we do with our business. By the way, I really liked the idea of planning from the beginning. I've created an entire course around a selling checklist that I'm working at the moment to publish at some point, and I think that that is because in a world where there's a lot of people focusing on making themselves famous and personal brands, I think there's probably a lot more merit in building something that's salable and stepping away from that personal brand a little bit if you possibly can. So I liked the whole concept of it.

What sort of things are we going to have to consider from the beginning and right up to when we want to sell that are going to make this business salable. You already mentioned recurring income was one of them.

**Preparing the business for sale**

**Thomas:** Yeah. Recurring income definitely helps, as expected, the more recurring income there is, the more certainty there is, whereas if you're relying on like one-time sales, theoretically or whatever, the source of sales you have could dry up and then that business is making zero. Whereas the recurring business, even if you sell nothing ever again, you're still going to have some return.

**James:** A residual income.

**Thomas:** Yeah, exactly. So one of the things you mentioned as you were explaining was there was a lot of emphasis on like personal brand. People like building themselves up, so it's pretty much the most important thing to consider is how replaceable are you in in the business. There's nothing wrong with, I mean all entrepreneurs have to put in all the work at the start of the business or might even work full time in their business for quite a long time.

But when it comes to selling through a buyer's perspective, they want to make sure that you're replaceable. So the more replaceable you are in your business, the more likely someone is to a) want to buy it, and b) buy it for good terms. So again, it's kind of why you're working 40 hours a week, why you're working 5 hours a week. And if you manage to get yourself to 5 hours a week, your business is going to be worth more.

**James:** Do you ever get people trying to sell a business where it's built on their personal domain?

**Selling a business with a personal domain**

**Thomas:** Uhm, I'm trying to think if we've ever done, I think we've done one, and in that case, it kind of had like a cartoon persona on the website. So we said to people, my number one advice is never build a website on a personal domain.

**James:** Yeah, I say that a lot. There's quite a few people in my own community come through the blogging community and those guys are crazy about building on their own name. Maybe it's an ego thing or it's a quick win. It's pretty easy to brand yourself because there's no other version of you, but it's not something that you're going to be talking to a website sale broker about to sell for multiples at some point in the future, is it?

**Thomas:** Yeah. It's not going to happen. I mean there's nothing wrong with building a personal blog or a personal brand, but you should use that to leverage other standalone brands.

**James:** To power up your brand. Like Richard Branson does for Virgin, or Elon Musk does for Tesla.

**Thomas:** Yeah, exactly. There's nothing wrong with having a personal brand but if you need to realize that to sell a business then separating it is important. It doesn't mean you can't put your face in the About Us page, but the business shouldn't be about you. Ideally it shouldn't have your name in it or anything like that, trying to avoid like your picture. And if you're building a product or something like that and a niche that you're not personally involved and then maybe come out with like using a picture because it's not you, maybe you're even using a cartoon picture, or somewhere along those lines.

So yeah, replaceability is very important from the buyer's perspective. The user is for a business to appear more desirable, and that's the number one thing you need to think about. You don't necessarily need to think about it from day one, except when it comes to things like choosing your domain. But close to the sale, you need to stop being…

I was talking to a potential seller earlier on the phone and I was telling him that there's kind of a difference between running your business for like as a hobby and saying you really enjoy it to being really quite ruthless with what's 100% necessary to run the business. So he was spending 35 hours a week on a business, and when we actually went through what he was doing in those 35 hours, the vast majority of it is not actually relevant everything, like updating the…

**James:** I think you've described most of the workforce.

**Thomas:** Yeah. Exactly. So it's fine if you have a job or when you're just working and you're not really planning on selling the business. But if you are planning on selling, it's one of those things that's really going to affect your valuation if you are really active in the business. So it's definitely something to consider.

There's like general best practices, making sure you've got very clean financials is important. I mean that's almost going to be impossible to sell a business if you have no idea what you're making, if it's mixed up with other businesses you might have, if you can't verify anything. So make sure you're keeping track of invoices, payments you've made to people, income you've got coming in, use some sort of accounting software. There's QuickBooks, Freshbooks, even an accountant or bookkeeper.

**James:** Xero.

**Thomas:** Yeah, Xero. So anything like that. Ideally try and keep clean accounts. It's going to be a lot easier for you to sell your business, for a broker to help you sell your business, or buyers, they go to the business if it's very clear to them what you're making and what you're spending. So it sounds quite obvious but you'd be surprised how many people will come in the door and they let you have no idea what they're making.

**James:** From a technical perspective, how do you do things like switch over billing for a recurring business when someone buys it? Do they have to buy the account that's attached to it or can they re-subscribe people to new accounts?

**Switching over billing**

**Thomas:** Yeah, that's a really good question I think. So generally speaking, with any sort of recurring income business, you would need to take over the account. So I would usually advise people not to have PayPal accounts so they can avoid it with recurring income. And if you do have a business account, which can usually be transferred, not necessarily cross-country; so if you're in Australia and the buyer is in the U.S., it can be quite difficult, but it's doable.

Things like Stripe is probably one of the better ones for transferring. It's usually just a case of like going in there, changing your personal details. Networks like ClickBank are really good. Put out some ClickBank, you can actually go there and change names. So generally speaking, I'm not aware of many more ways that you can transfer subscriptions across. So you've always got to take over the account, and that's a way of saying we're quite up for people with recurring subscription businesses and it's saying that you definitely need to consider because if it can't be transferred, it's not necessarily impossible to sell, but it certainly makes it more difficult when the kind of terms and post-sale obligations you might have be quite a lot different from the, switch out the accounts and you go sell the business.

**James:** It might be to remit the funds each month until they've migrated the billing, etc.

**Thomas:** Yeah, exactly.

**James:** So it's doable but tricky. I imagine it's way easier with things like email databases, you can export a CSV file, etc. So yeah. The payment is the one that came to mind. Well, are there any other major obstacles like that?

**Some obstacles**

**Thomas:** Well, recurring payments are definitely a big one that comes up. I can't even think of any other thing that come up too often beyond that, generally speaking, especially online, most things are quite transferrable. I mean one other thing is to make sure that if you've got other businesses, I mean lots of people have multiple websites, they might be able to have the same, I used to think, which is not necessarily a problem, but just make sure you can separate them out without any issues.

Let's say you are self-employed and you're taking payments through your website and then those are getting sent to your bank account, that's fine. But be aware that when you're dealing with a buyer, they're going to want to look at your bank statements, which has got personal payments for you that you don't want a buyer to see, then consider again, a separate bank account, so you keep it all separated out.

**James:** So in other words, the earlier you can, you partition your businesses out and make them completely separate modules if possible.

**Thomas:** Yeah, as soon as it's practical. You don't necessarily have to do absolutely everything. There's nothing wrong with say having five sites on the same server, but just be aware when you do sell, the buyer is going to want to take it, take over. The more seamless is the buyer, the easier it's going to be for you and the sale process, the more you're going to get to the business and the better the terms are going to be because you don't want to be the guy who's remitting payments for the next two years because you can't transfer your PayPal account or whatever.

**James:** Yeah. Now I mean I completely relate to it. I have a predominantly subscription business and one day I would like to sell it. So I'm sending it up on its own website and it's going to get its own new billing system, and it'll just be a gradual migration of moving people across to a new payment method, but once it's done, then it's able to be separated off from the main business, but it does take planning.

So what other things should we be taking into account? So far, we've covered that we're going to have to have clean financials. That's a really important one. We should consider all the different accounts, whether it's payments, hosting, email systems, that they could be separated if possible.

Do we talk about a book of sale or anything like that? The selling documents? Or is that stuff you cover when you're in the brokering section?

**Selling documents**

**Thomas:** Yes. So that thing we would cover. So we usually include a lot of detail on financials and then on questions, we usually ask, depending on the business. 80 to 120 questions, and we put through what we call a prospectus, some people might call it a memorandum. That's usually 25 to 30 pages on the business.

**James:** And these ones, you're just showing these to qualified buyers? Do you have a filtering process for who gets to see the prospectus?

**Thomas:** Yes. The way it works with us, if you want to request the information on the business we're selling, you've got to sign a nondisclosure agreement, and also speak to one of our team, just so we can kind of qualify you. So if you say you're interested in buying a business for $50,000 and you want an e-commerce business, and then you request information on a million dollar SaaS business, then we might ask you a little bit more about why you're interested in that particular business. But yeah, you generally have to sign an NDA, and that's without fail, and maybe some qualifying questions. And we keep quite a lot of data on buyers to make sure that you don't have the same guy who issued questions in like 30 businesses but never actually made an offer or asked any further questions. So that's like really important for us.

**James:** I imagine a big part of that is because in that prospectus will be some sensitive details about where the revenue is generated and where the opportunity is lying to grow the business even more. Are people buying based on what they see or is there some element of hope or potential improvement that people are valuing as well? Where do you sit with that one?

**Why people buy**

**Thomas:** Yeah. So it does really depend on the situation. You get some buyers who just want to buy as kind of an investment and they just want to keep the business where it is and they're quite happy doing that. Some buyers buy because the seller or the broker is explaining the business in a particularly good way and there are some growth points that have been outlined by the seller or the broker that they could have followed and built up. Some will buy because they already have experience or contacts or business in that niche and they know that they could build up this business based on what they already have. There is real variety. I would say it's 50-50, there are always buyers who are quite happy just keeping the business where it is. It might be their first purchase and really they just want like an income replacement or the just want to kind of prove out their old buying an online or running an online or running any business model, and then you get the buyers who are kind of looking into really expanding or growing their business.

**Where to get funding**

**James:** When it comes to funding, do you have situations where someone would like to buy a $100,000 business but they don't have $100,000 available to them? Are there ways that people can get financed?

**Thomas:** Yeah. So with financing, generally speaking, below $100,000, it's very rare to see any deals financed. The vast majority of deals are within a level of cash. It's not necessarily that it's impossible to get financing. It's more of the fact that there is so many cash buyers that if you are not in a cash position, then you're going to find that difficult to compete with those who are. As you get higher into the 6-figure range, it's very common to see financing. Almost every deal in the 6-figure range will have some financing, usually the amount of cash down, you expect will depend on the business and

I guess what other buyers are out there, but usually 60% to 80% cash down, and then the majority of those businesses that we deal with are seller financed. So you might buy a business for say $200,000 and you put $150,000 cash and then you agree to pay the next $50,000 over 12 months.

**James:** And will it be conditional? Would we consider it an earn out or a performance-based payout or is it just implied that it has to happen?

**Thomas:** Yeah. So if there is, we do sometimes do earn outs, generally speaking, if the buyer wants an earn out, they're going to have to prove why they should get an earn out. So I want an earn out on this business, here's all the things I'm going to do to it. It's not going to drop. Other situations where you might get an earn out or performance based is when the business particularly relies on an earner and they want to make sure that the earner is incentivized to hand the business over properly, introduce them to all the key suppliers, key contacts, key staff.

So we try and avoid performance related from a seller perspective as much as possible, but some businesses are unavoidable. And then we'll have various fixed structures. So paying out a certain amount over a certain period of time, after a certain amount of time, sometimes transactions will have milestones. So you might pay $150,000 upfront and then $50,000 gets released off the 3 months of training. So it can really vary. We do various structures, get quite creative. But yeah, generally speaking, a buyer in the 6-figure range wouldn't expect to take cash that often.

Cash deals do happen. If you're a cash buyer, then you're going to be at an advantage. But we very rarely see, it's not like you can buy a business for like 10 percent cash down. There are ways to get external funding, but it's quite rare and it's a very competitive industry.

**James:** I found that people just lack the knowledge to be able to value online businesses. It's certainly different to bricks-and-mortar when it comes to opinions and how much a business is worth from my experience with it, and I imagine a lot of the questions you ask and the documents you prepare go a long way to creating that architecture to give someone a basis for value.

**Thomas:** Yeah, absolutely. So there were some external funding partners who will lend against online businesses but the majority, they are seller financed and cash.

**James:** So let's just see. We'll narrow it down here and certainly guide me as to what I should be asking you when it comes to exit planning. We've talked about clean financials. We've talked about partitioning out accounts. What other things are going to be important? We've also talked about how replaceable you are. So we want to increase the "works-without-me" factor of the business. What other things can we do before we head over to the broker and say, "Right. I've got my business. I'm ready to sell."

**Other things to consider**

**Thomas:** I mean probably one there that's most important thing to do is consider the timing of the sale. It's of quite common scenario we deal with when someone business is doing really well. They know they may have other commitments and other things are going to come up, but they think, oh, I'll just leave the business in 6 months, and by the time they get to us, the business has been declining for the last 6 months because they've not been paying enough attention to it versus knowing that you rather commit when it's going to come out, knowing that you're going to be away or you start your new job or whatever and selling at the right time. So making sure that while the business is kind of still growing at its peak or than when it's on a decline.

**James:** Right. So just keeping up the effort even if you've lost the motivation, you just have to keep up the effort on the way through to the end of the sale.

**Thomas:** Yeah, exactly because I mean a business under decline is not necessarily unsaleable but it's going to be worth significantly less than the business that's kind of still growing quite steadily. I mean other than that, we've covered the main things. Ultimately most businesses are salable. There's always going to be someone who wants to buy businesses only if it's profitable. It's just making sure. I mean one way to look at it is you're a real buyer, what would you want to see? You would want to make sure that you can take over everything whether it's like accounts of the business, the responsibilities of the owner, the current team who are in place, if you've got a team, make sure that they're going to ideally stay with the business, make sure they've got contracts in place. If you've got reliable freelancers or VAs…

**James:** Yeah, that's a good tip.

**Thomas:** …make sure they're still going to be available. The more likely they are to like pay your price, will give you good terms when they buy it from you.

**James:** I suppose other things you can do are to list all the tools you use in the business, where you get your customers from, what your customer profiles are. I guess sometimes we have to identify potential risks to the business. Is that kind of like the job interview question? What's your negative or what's your downside? And you have to give a creative answer to that?

**Thomas:** Yeah, I guess it could be. You might do like I guess you can call it a SWOT analysis or something similar to that. I think generally speaking and the sales pack that you prepared is going to be quite positive. But we always encourage sellers to always be honest as there's particular challenges that they have. Sometimes, we deal with buyers who might be potentially technical. But then they don't really have the marketing knowledge to grow their business. So from a buyer's perspective, there's not necessarily wrong with the business, but if they're a buyer, they have particular marketing skills and the sellers not and they can comment.

I don't see if there's a difference between I guess like a threat to the business and like actively misrepresenting something. So if there is a problem in the business, you know about it, whether it's like one of your suppliers just stops supplying or change prices, one of the team is going to leave, then that's the kind of thing you really should be upfront about. But there are a lot of unknown that you can't necessarily protect against or know everything. It's just important to be honest.

**Quick recap**

**James:** Yeah of course. Well that's very comprehensive, Thomas. I think you've given us some really good information of this call. So we're going to close up. Just a quick recap. So I've been speaking to Thomas Smale from feinternational.com, and we've been in particular talking about selling your business, your online business, why you might consider a broker over trying to do it yourself, and some of the main reasons are you get access to a whole lot of experience and you also get a list of buyers who might be interested in your business.

And then you've also got the things that you can do in preparation and you can start today even if you're not ready to sell. If you want to sell down the track, some of the obvious things to avoid are registering a business on your own domain name, making sure that you try and build recurring elements, have clean financials, have the business working without you as much as possible. Get the team in there to do the stuff, document stuff, list down everything you're doing, tie down your contractors with agreements, and put in that effort all the way up to the sale. Don't ease up too early because you might cost yourself.

If you're looking to buy a business, then I'm sure Thomas can help you there as well. Do you have any material or checklist or information that might be useful for someone in this phase Thomas, over at your website?

**Thomas:** Yes. If you come over to the website and visit the blog, if you're looking to buy a business or you're interested in what buyers might be interested in, we've got a couple of e-books for buyers. We also got an e-book coming out soon on exit planning. So basically all of the things we've discussed, we've done a little bit more detail. On the blog, if you read it, we've got various posts for buyers, sellers.

**James:** That's over at feinternational.com.

**Thomas:** Yup. And then if you go there, just navigate through the blog, read around. We publish a weekly blog post, a weekly newsletter. Or you call our sales, get on our team and everyone will be happy to put you in the right direction.

**James:** Well that's really good. This is a nice complementary episode. We did one just a month or so back, which was selling your business and we went through a case study of a private sale. So it's really good to get the brokerage angle on this. I appreciate your time Thomas. You have been very generous with the information you've shared. Thanks so much for coming along.

**Thomas:** Yeah, thanks so much James. Hope this was helpful.

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