How to Exit Your Business Rich with Michelle Seiler Tucker

superfastbusiness®

So you want to put up your business for sale. Michelle Seiler Tucker tells you what to consider and how to make your exit as profitable as possible.

Michelle Seiler Tucker

James: James Schramko here. Welcome back to SuperFastBusiness.com. This is Episode 829. Today, we're talking about selling your business, and for that, I've brought along topic expert, Michelle Seiler Tucker, welcome to our conversation.

Michelle: Thank you, James. Thanks for having me.

James: Now, you have co-authored a book with Sharon Lechter, you have 20 plus years in this industry actually selling businesses, mergers and acquisitions. So you're really an authority on this, and you've put together what I would consider is a must-have reference for anyone thinking of selling a book. But I'll say, the overarching concept that came to me from reading the book is that you would be insane to try and sell a business by yourself.

The surprising percentage of businesses that actually sell

That was really one of the big takeaways. You said, you might be great at your business, but not so great at selling the business. And the thing that struck home for me is from my previous industry, I used to run a Mercedes-Benz dealership. A lot of the big business operators we had coming in buying expensive vehicles, hundreds of thousands of dollars - cars are very expensive in Australia - they might be titans in their industry, but they might only buy a dozen cars in their lifetime. And they weren't that good at it, compared to someone who does it every single day for a living.

So that's for me what I got as a takeaway. And let's talk about why that's the case. I think you mentioned a statistic around eight out of 10 businesses won't sell at all. And the thing that blew me away was, in your book, you referenced the fact that pretty much every single sale deal is going to go off the rails. Let's talk about that for a sec.

Michelle: They're definitely going to go off the rails. Steve Forbes is the one who came out with that statistic that 80 percent of businesses don't sell, eight out of 10 companies don't sell. And Steve Forbes actually endorsed my book, Exit Rich, as well. Yeah, he said, you know, it's a goldmine for entrepreneurs, because so many entrepreneurs, there's so much money on the table when they go to exit their business.

And that's eight out of 10. Now, if you talk to M&A Source, you know, that's a 90 percent of businesses don't sell. So it's a huge number of businesses that will go on the market that will never sell. And that's for a multitude of reasons. You know, the biggest reason for that is that most business owners don't really think about selling their business because they never plan for their exit until a catastrophic event has occurred, internal or external, internal being health issues, partner disputes, death, you know, divorce, and external is this pandemic we're in right now.

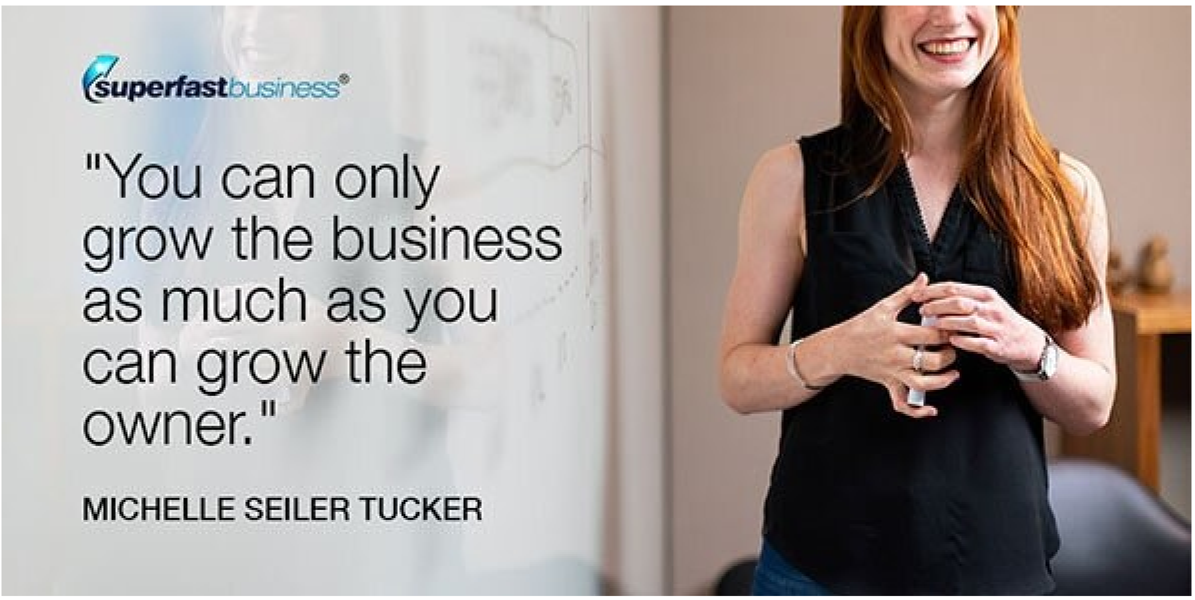
Trying to sell your business during a catastrophic event is the worst time to sell your business. You want to sell your business when it's in its prime, when it's really doing well.

James: Yeah, plenty of people listening to this podcast are buying businesses right now. I've got a few clients, I had a lady, I think she bought three businesses last week, she's on a buying frenzy. And I think the same information that would be good to sell a business is also useful for someone interested in buying businesses, because they can spot the gaps.

Spotting opportunities and making something of them

It sounds like, from what I read in the book, you will sometimes spot an opportunity, I think you gave an example of someone who thought they have a business but they didn't actually have a business, they had a job. And then you paired them up with another potential seller to create a better entity and sell for three times more than the original target price. Do you go into business with some of your prospects?

Michelle: I do, I do. I really specialize in not just selling businesses. Like you, I'm on many different businesses and many different verticals. At any given time, I own five to 10 companies that I'm building to sell. But if businesses are not sellable, and I like the business, I like the owners, it's a niche, you know; I'm not going to do a restaurant; but it's a niche, and I'll invest my money, time, energy, effort, expertise and resources, and partner with that business owner.



So I do partner with business owners. I also buy businesses and flip them and sell businesses and merge businesses. So I really specialize in buying and selling, fixing, growing, but it's got to be the right deal for me to partner with them, because you can only grow the business as much as you can grow the owner.

James: Gosh, that is so true. I often say, I think at least a quarter of the work I do is on the person itself. I feel like a part therapist, part human psychology expert, because of the people side of it.

And one of the Ps in your formula, you know - and I'm not going to relay the whole book in this podcast, I'm just going to tell everyone go and get the book, right, get the book, it's at exitrichbook.com, because that's not the point of this podcast, so I want to add something beyond the book here - is the people, and not just the business owner, but the people in the business is often a choke point for the business, right? Especially the one who doesn't actually have any people and thinks they have a business. That's a really common one in my market, because anyone can start an online business, and we're predominantly online businesses.

How to maximize the value and sales price

Now, I know you came from a franchise background, much like me, I think, you rose to the top of where you could go as an employee, and found so much rich, abundant resource around you that it just made sense to go into business. And you and I have almost the exact same story. Everyone around us is telling us we're crazy going into our own business. But it's kind of like we have a secret skill, a special skill of being able to work with people and see opportunities is not common.

So as a mergers and acquisitions expert, I imagine you're just installing this intel into your prospects that they're not aware of, and that's probably part of your secret to raising the sale price, correct?

Michelle: Correct. Correct. I mean, the secret to really maximizing value, maximizing the sales price, is really identifying the synergies in that business. You know, wether it's the branding, you know, and one of my Ps is proprietary, proprietary assets.

So we really identify the synergies, wether it's they're well branded, or we got certain trademarks, certain patents, contracts, you know, with subscription models, recurring revenue, databases, celebrity endorsements, ecommerce, online placements, you know, in the top three positions. We really identify the synergies, and then I really identify the buyers, because we have over 30,000 buyers we work with, and there's five types of buyers, as you've read in my book. But we really identify the synergies and figure out what buyers are willing to pay top dollar for those synergies, what buyers can take advantage of economies of scale, what buyers have the infrastructure where they can come in and maybe cut distribution, because they already have distribution everywhere.

So before they even take over the business, they can cut $5 million out and increase their EBITDA. So that's really how we maximize value, is really identifying those synergies and the buyers who are willing to pay for it. And even if we got like, customer concentration, we got buyers that will pay for that customer concentration because they want to get their products in that door.

James: Exactly. I mean, one of the businesses I sold was to my biggest client, because he could instantly gain a 50 percent advantage over everything he bought with me. And my big risk was that he would leave. I was a bit too strong on another one of your Ps, patrons. He was buying all my stuff. And it was like, a problem, because if he left, if he went and started his own in competition, it would really tank the value of the business. So it just strategically made sense for him to buy it and for me to sell it to him.

The thing most business owners don't even think about

You use a kind of bridge-building technique, you call it GPS. Let's just quickly touch on that for someone who's not aware. You have a look at the destination, like as you said, most people don't even think about selling. It's pretty much one of the first questions in my onboarding when I'm coaching a business owner, is, are you thinking of selling?

And you know, I want them to come up with their number. Like, most of the work I'm doing is talking about their current point and where they want to get to, but destination of selling is, you know, I reckon probably still more than half haven't actually thought of selling or list selling as the thing. And for me, that was a big goal when I was building businesses, because you capture the value.

Then you talk about the current point where they're at. But then the important thing is you start thinking about who's going to buy the business. I would call this like, sucking eggs. You're creating the thing that the business should be buying that they didn't know to build and they haven't worked on yet that then they just look at it, it's kind of like Facebook looking at WhatsApp or Instagram thinking, Oh, yes, we should have done that. That's a great idea. Here's a couple of billion dollars.

Some startling reasons for wanting to sell

And then you talk about timeframe. And then you talk about the reason why. And this is really interesting. Could you just share with me a couple of the most surprising reasons you've ever heard someone wanting to sell a business could be?

Michelle: Wow, gosh. Lately, I just had a little lady call me and she wanted to sell the business because her husband dropped out of a heart attack, left her with a mountain of debt, and she knows nothing about the financials, nothing about the business. And so I started asking her questions. He had no people, he had subcontractors, he had no processes. He didn't have any of the six Ps, maybe profits, but when he died, the business died.

So I get all kinds of different stories. It's usually a catastrophic event when they want to sell. It's usually somebody died, they're going through a divorce, got a huge partner dispute, COVID, the business is doing terrible, the industry is dying. And then I get other other things like, Well, you know, I have a mistress so I got to be able to afford my wife and my mistress. I need to cash out. I get all kinds of crazy stuff. You know, I think I pretty much have heard it all.

James: Yeah, I had some pretty strange scenarios at Mercedes-Benz too. I had people buying cars and having them dropped off to different places, like the same guy, and I'm like, You are crazy. He's just like, one crazy attack away from ending this game.

Michelle: I had one man want to sell because he had a whole separate family that his wife didn't know about. And he needed to cash out to support his other family.

James: It's kind of like the emergency card in an aeroplane. Right? If the plane's about to crash, it's too late to pull it out and find out where the exit door is. It's like, I would recommend, if you're listening to this podcast, to go and get the book now and start preparing for a scenario, and don't make it catastrophic. Like, get out of the thing on your terms.

How often do business owners go bankrupt?

One of the shocking statistics that I read about in your book is the idea that a lot of people actually have personal guarantees on their business. And when the business suffers, then they start getting called back from their personal guarantees, and they can end up becoming bankrupt. How common is this?

Michelle: It's extremely common, almost every single business owner in the United States, I don't know about Australia, but in the United States, pierces the corporate veil, because they take a mortgage out against their home, they sign personal guarantees, so when they go to file bankruptcy, they're not just going to lose their business assets, they lose their personal assets too. So it's extremely common. That's why I educate business owners not to do that.

James: I know, most of my clients, they know to have good corporate structures and trust accounts and things to shield their businesses. And they even do things like license their intellectual property from one entity to the other. We also think about which entity is going to have a better tax situation when you sell, because we can get things like a capital gains break on the right entity. And you talked about having, you know, you need sign-off authority, if you have a certain type of entity in the United States, if you want to sell it, a resolution to make sure you're actually allowed to sell it.

Michelle: That's true.

James: The other thing here, if you go bankrupt, that's pretty much for seven years. You can't have a nice car, it's socially like having leprosy. It's not as standard as you would expect in the United States, for example, like it's the end of the road. But luckily, most of the people in my world are not needing to borrow for their business because they're pretty much online businesses, and they can be started with a laptop.

The six Ps you need, and where people typically fail

Let's just cover the six Ps - people, product, process, proprietary, patrons and profits. Which of the six Ps do people usually fail at the most?

Michelle: They typically fail at people for sure, people and processes. You know, because entrepreneurs are control freaks. And I always say you can't grow unless you let go of the control. And you really got to focus on your strengths and hire your weaknesses. And you have to put the right people in the right seats. Plus, you got to ask the who question, James, you know, who opens the door, who handles customer service, marketing, legal, accounting, manufacturing, logistics, environmental, etc.

You should never be next to the who, because you really want to build the business without you.

James: Exactly. We talk about who not how.

Michelle: Right. And the number one reason businesses are not sellable is because the business is 1,000 percent dependent upon that owner. You pull the owner out, you have no business. A dentist came to me a couple weeks ago, and he's been in business 50 years, three dental hygienists, no other dentist, and he says, I want to sell, da, da, da. And I said, Great, you're going to have to stay on for two to three years.

The three dental hygienists are his family. So when he leaves, they're leaving. He said, I'm not staying. And I said, Well, you're not selling, because the minute you leave, the patients leave. So people is so important. You can't really do anything without people. You don't build a business, you build people and people build a business. So you got to have people first.

And then I will say the second thing that they really mess up on is processes. Most business owners don't think about processes because they're so focused on sales. They're so focused on getting clients in the door, you know, making money, that they're not really focusing on processes. It's kind of like exit strategy. They don't think about processes until something bad has occurred in their business, and you can't do that.

You need to design your processes around the customer experience, so you can create happy raving fans, and you need to be productive, efficient, have your policy procedure manuals and everything else. I mean, we're selling the business for $70 million right now. And we're having to help them get the policy and procedures together, and manuals, and an SOP checklist. So people and processes kind of go hand in hand. You need people to help with the processes, right? You need processes to keep the people in line.

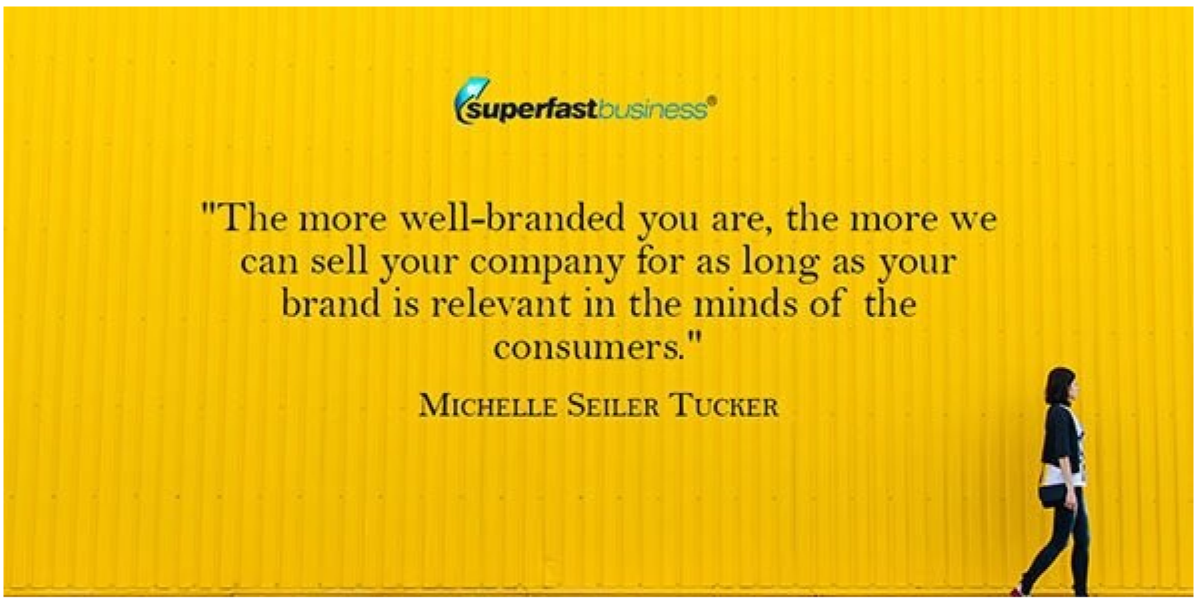
James: It's super common, especially the smaller the business, the less likely there is to be any kind of system. With an online business, that was one of the prime assets I sold. Of course, there's some proprietary stuff, but I actually handed over an asset register, and it listed every single SOP for the business, it listed every person in the business, every role they do, how much they get paid, how long they've been there. It was like, that is what you're selling apart from a domain name and a customer database.

It's a little bit harder sometimes to get proprietary. But you know, even in businesses, in my sort of level, we're all doing trademarks, and making sure we protect that thing we do. Because it's just so easy for someone to spend $9 on GoDaddy, and set up shop, cloning your service. As soon as someone hits pay dirt in the online world, there's like, 25 versions of it. They just like, copy and clone. So protecting your space is very important for a potential buyer, right? Because they don't want to spend all this money and then find that they haven't got a moat around their business.

Because proprietary is the big value driver...

Do you want to speak to the big proprietary lessons there?

Michelle: Sure. So you know, proprietary, obviously, you have the six Ps. The number one value driver that will get you the highest multiple is proprietary. In America, businesses that have under a million in EBITDA (EBITDA means earnings before interest, taxes, depreciation, amortization), under a million EBITDA, they typically trade from one to four times EBITDA. When you get to over a million dollars in EBITDA, that's where all the buyers are. And then they typically trade for five and up.



Proprietary assets can get you a six, a seven, an eight, a nine and a 10. So unless you have a SaaS business, SaaS businesses typically trade for a multiple of gross revenues, but that's the only industry that really trades for multiple growth, the rest for multiple EBITDA. So proprietary assets are like six pillars to proprietary. First and foremost is branding. I mean, the more well branded you are, the more we can sell your company for as long as your brand is relevant in the minds of the consumers.

It's like, you know who the biggest brand in the world is, right? Apple.

James: That would be Coke or Apple or Mercedes or Amazon.

Michelle: Nah, it's Apple.

Coke is in the top 10, Amazon's in the top 10, Mercedes is not even in the top 10. Apple alone is worth $259 billion. That's just the brand. That's not cashflow, inventory assets or anything else. So build your brand.

James: And they did a good job to pull that off on such a generic name.

Michelle: Well, that's because Steve Jobs came in and created all these proprietary products like the iPhone and the iPad and the iPods and the iCloud. And then you have trademarks. So trademark is extremely valuable. The big mistake that business owners make in the United States, I don't know about Australia, but you can't just get a trademark. You have to get a federal trademark in the United States, because if you go to California and start your business and you get a trademark in California and haven't checked the federal database, you're right, somebody can go in, snatch up that name.

You could be in business five, 10, 15 years, all of a sudden receive a cease and desist letter, and you've got to stop using that company name. And yes, I've seen clients do this. They hire an attorney, they throw lots of money at the problem, and the problem doesn't go away. You have to stop using that company name and start your branding all over again. So get a federal trademark. I don't know if Australia has the same thing. But like I trademarked Exit Rich, I trademarked the ST six Ps and all of my stuff. So that's really, really, really important.

And I mean, even products, James. Like we have a company right now that we're selling for about 50 million, and they have 12 different products. Each product has exclusive rights to a grocery store chain like Walmart. One has Target, one has TJ Maxx, and they have a federal trademark for each one of these products. Synergistic buyers will pay more money for these federal exclusive trademarks and these exclusive rights.

Patents are another big one that buyers will pay a lot of money for. We sold a company for $18 million that wasn't making any money. They were losing money, but they had 18 patents. And if you ever watch Shark Tank, everybody on Shark Tank always asks every single inventor, do you have a patent on that? And your offer is always contingent upon the patent.

The other thing that's big in proprietary assets is contracts. So manufacturing contracts, vendor contracts, distribution contracts, franchisors that have franchisees and client contracts are the most valuable, especially these online businesses if you have a subscription model with reoccurring revenue. Buyers will pay a higher multiple for reoccurring revenue. But here's the caveat with contracts in the United States. I don't know about Australia, but in the United States, you have to have the two sentence transferability clause that says, This contract is transferable upon a new entity, because 99 percent of all deals are asset sales.

If your buyer is not going to agree to a stock sale and your clients won't agree to consent to transfer, then your joke has stopped dead in its tracks. We once had, not me, but I sold an M&A firm, a franchise, they have 1,500 locations, a private equity group bought them, had their due diligence team; their due diligence team never looked at the contracts, had a big celebratory party, and the franchisees didn't like the private equity group, so one out of 1500 transferred over. Within 60 days, the company filed bankruptcy, sued their entire due diligence team.

So you want to make sure that you have, be proactive and have that language in there.

James: I know it's in my terms and conditions. And that's how I sold my SEO business.

Michelle: Well then, guess what? You are the only person that I've ever talked to in over 20 years, I sold over 1000 companies, that actually has that language. Like, we're selling a $70 million company right now, and they have 150 contracts, and none of them are transferable. None of them have the transferability language.

James: It might stem from, certainly in Australia, the privacy laws are very strict. And I needed to be able to make sure that a buyer had permission to take over this relationship. You talk a lot about lawyers, you need good lawyers. And I used a good lawyer when I sold my business, and I also use them every time I start a revenue share deal or a partnership. I always get a written agreement, correct legal language, like I go to that extra expense and effort in the beginning, because I've seen what happens if you don't have it.

Would you go to a dentist for heart surgery?

And this is a subtle thing, but I don't think many people think about this, you talk about the difference between different types of agents. You don't want a real estate agent selling your business. Let's talk about that for a sec.

Michelle: Yeah, I mean, it's kind of like, if you need a heart surgery, are you going to a dentist?

James: Exactly. I think people think, Well, you know, so there's different types of brokers and different types of agents, is really the point. You've got to be very specific. And you have to make sure that you're not just getting sucked into a machine that's not exactly ideal for your scenario. Like, getting good advice. I mean, my grandfather would have given me that advice. He did. He said, you know, always question the person you're getting advice from.

And you list, I like that, you list 20 questions to ask a broker. That checklist is money in the bank for someone buying the book. And you also have a roadmap for the top 10 mistakes. Might touch on a couple and then I'll let you go.

Michelle: Sure. Well, on the broker side, knowing who to hire and who not to hire, the big thing is, you really should never hire a real estate agent, commercial or residential, to sell your business. It's like, I would never go sell a house, you don't want me selling the house. You know, there's so many different moving parts. So many more things, like a house is a house. I mean, with a business, you got employees and you got inventory, you got assets and working capital, and you got so many different things, you know, lawsuits, tax liens, etc..

You've got to make sure that you go with somebody who's got years and years of experience and somebody who's sold hundreds of businesses in different verticals. Because your business is your most prized asset. And you might not be like James, maybe only sell one business your lifetime, you want to make sure that you maximize the price and maximize the value.

As far as the mistakes that business owners make, you know, the biggest one is not planning their exit from the beginning. You know, kind of like we talked about in the beginning, James, is you've got to have a destination, if you don't have a destination, you're going to drive around in circles and drive up and down the financial hills, you end up nowhere. So you've got to pick a number.

James: You maybe have a cash machine, but you're not collecting the big payday.

Michelle: Right. And your big cash machine can go under. It happens every day.

James: You do caution that, you know, that people are ticking along and then something happens. I had a whole series of interviews on this podcast of case studies of people who adjusted during the pandemic and came out strong. Some of them are quite heavily invested offline. And I had plenty of clients who had leased office space and those sort of things. They had to get out of the leases or close yoga studios, like completely transform their business. But essentially, their old business was put in the bin, and they went to start up again.

The thing I like about selling the business is that little thing called the multiple. It's like, the idea that you can get paid years’ worth of results upfront. And I think if it combines with a reason why, if you're finding you're getting to that burnout, or you're not that interested, or you see the industry you're in starting to go off a cliff, you know, if you're a Blockbuster store, and you see Netflix coming around the corner, it might be time to get out of there before the catastrophe happens.

Michelle: Oh, or buy them. Blockbuster had the opportunity to buy Netflix, and they didn't.

James: Right, it’s strategic acquisition.

Michelle: Yeah. The other reason I wanted to mention, James, is it's really important to get an M&A advisor because M&A advisors like us, we have over 30,000 buyers. There's five different types of buyers. And you're never going to be able to create a bidding war if you go with a real estate agent, or if you go with a business broker that sells pizzerias.

You want to make sure that you're going with an advisor that knows how to run a structured auction and an unstructured auction and can bring hundreds of buyers to the table to narrow down and bring you like, five, 10, 15 LOIs. Because the only way you ever maximize value is by creating competition.

James: It's great advice. And it seems every time I buy a property, I end up at the real estate agents while someone else is on the other phone driving up the price. These unstructured auctions are very good for business. And certainly, you're right, I think a lot of people, if they're going to try and sell their business themselves, they make a few mistakes, like one you mentioned is just dealing with one buyer.

I learned that lesson when I was about 10. I was selling a boat, and someone wanted to come and look at it, and I put it out on the front lawn, and I rigged it all up. And I had other people calling. And I said, No, it's okay, because someone's coming now to buy it. And I didn't even get their phone number. And I remember when that person no showed on me, I felt shattered, like I'd wasted that. And I always think about that, like in the last week, I sold quite a few surfboards on our classified site, which I only need one person to call me, but I keep selling until it's gone.

And you say very clearly in the book, don't celebrate your sale too early, especially if you're providing finance for the buyer. And I don't think people realize this, but it's pretty uncommon that someone's going to stump up 100 percent of a business purchase on the spot. And you talk about holding money in escrow and the fact that a lot of people selling a business are going to have to endure payment terms.

So I'd say that would be a significant area of attention to work with. And that's where your experience would be quite helpful.

The protection is in not revealing everything

Michelle: Right, right. Yeah, I mean, look, everybody wants to leverage other people's money. So we really work with our clients on creative financing. But the biggest thing we do is making sure our sellers are protected.

James: Now in terms of protection, a huge mistake people make is they reveal too much. Let's talk about the confidentiality.

Michelle: Yeah, so that's another reason why you want an advisor, because I've had business owners just hand over their client list in the first meeting. You don't want to do that. I tell my clients what to show, what not to show, and when to show the rest. So I don't allow my clients to give away proprietary information. And that's really close to an LOI with escrow.

So it's really important to know, you know, what you should give, what you shouldn't give, but you got trade secrets, you know, you got a client list, you got things that are proprietary to your business. A lot of times, if somebody is in an industry, and I feel like they're just trying to get information, we'll even make sure the attorney draws up a non-compete, so that buyer is not going to compete with my seller in this geographical area.

So we really go the extra mile to make sure that the sellers are protected. They don't give away too much proprietary information. And we control the process all the way.

James: Software companies were notorious for that, going to see the competitor, seeing what they have, and then going back to the lab and making it themselves. There was even a name for it. I won't say it, in case they get all legal.

Michelle: Yeah, and then we're very careful too, like James, if there are some competitors looking at a certain business, we don't want to show the business to that competitor without our owner giving us permission or writing to do so. And then a lot of times, we'll do it nondescript, meaning that we won't reveal any personal proprietary information at all, even the company name or address or anything like that, you know, we run the whole process as far up to almost to the LOI without disclosing who that company is, if it's a competitor. Because a lot of competitors are just seeking information, you know, they're trying to get information from that particular company.

James: It's amazing how much intel you can gather from acting like a purchaser. Like, every time there's a property for sale in this area, I know all the neighbors are piling in there. They want to see how they're laying out the furniture and what sort of view they've got, you know, just gathering intel, and they have no intention to purchase.

The agents don't mind, of course. They love having the appearance of competition, they invite you.

Michelle: Yeah. Businesses, you can't do that. We don't have open houses for businesses.

James: That's right.

Michelle: Confidentiality is typically the most important thing to a seller because they don't want their employees knowing that they're selling, or their customers, or their vendors or manufacturer or anybody else. Because you know, everybody gets spooked. Nobody likes change. So we want to keep the sale proprietary hush, hush, until closing day.

James: That's really one of the biggest tips. And you also advise against selling to your employees, which is a lot of people have wishful thinking around that. We see some fantastic stories in the news occasionally, like a bus coach company sells their company to the employees and gives them all the bonus for working for them for 35 years. But that's probably quite rare. The worst case scenario is that they will find out you're selling and then they bail and you've got nothing left.

Michelle: Well, not only that, I mean, like selling to your employees is called an ESOP. So you can do an ESOP. It's less than five percent of all transactions in the United States. And in ESOP, you know, there's lots of hoops and steps you have to jump through. But as far as selling to one or two employees, the problem with that is that the business owners starts giving them all this information. You know, information that the employee doesn't have, like the financials, the secret sauce, you know, trademarks, trade secrets. And they've never qualified the employee to even make sure that the employee can afford them.

James: That employee, they'd have to be the most dangerous person with that information, like, they can set up across the road.

Michelle: Yeah, because a lot of times, they don't disclose them. We make sure that all of our buyers sign non-disclosure agreements that they have to keep everything proprietary. And in some cases, even a non-compete. But a lot of times, they don't qualify them to make sure they can afford the business, then they don't disclose them. And then when they find out that the employee can't buy the business and the employee becomes disgruntled, and then starts talking to other employees, and misery loves company, and before you know it, you got mutiny.

So the only way you should sell to your employees is in ESOP, or hire an advisor like us, like Seiler Tucker, because what we do is we'll go in there, and we'll handle everything for you. And we'll be the bad guy. So you could still be good cop, we're bad cops, we're the ones asking for the financials, we're the ones asking them to sign these non-disclosure agreements, we're the ones knowing what to give and what not to give them. And it really keeps that relationship between the employee and the owner still intact, versus you being the bad cop. Does that make sense?

What price to put on the business and the help

James: That makes a lot of sense. So let's just finish out then on pricing. Sort of a double question. One is, you sort of referenced it, most people sell for the wrong amount, it's either too little or they miss out all together. And how much are we going to pay someone to help us with this? Because I don't think I read that. But can you give us a guideline on that? And you know, is it worth paying that extra fee to get an extra price?

Michelle: Oh, to an advisor?

James: Yeah.

Michelle: Absolutely, because the advisor not only brings buyers to the table, and maximizes value if you get the right advisor, but they also help you not get in trouble, not get sued later, you know, make sure that the reps and warranties are there, and you're not over committing to things.

I mean, we really bend over backwards to take care of our sellers to make sure not only are they getting the maximum price, but they're also being protected all along the way. Whether it's seller financing, non competes, people coming in, you know, them staying on for so long, making sure they get paid; we have so many steps along the way that we make sure that the sellers get protected.

So the fees, you know, America, I don't know about Australia, but America, you know, there's a lot of M&A advisors. I'm a mergers and acquisitions, mastery and mediary, senior business analyst and a bunch of other stuff, and sold over 1,000 businesses. Most of my peers, because I'm on the panel for M&A Source, most of my peers charge a retainer fee. There is a company that is huge on charging retainer fees as well. They charge retainer fees, but they can't really sell the business for you.

So a lot of M&A advisors charge retainer fees. And it's anywhere from $5,000 a month to $60,000 upfront, you know, it just really depends. And if they charge retainer fees, they might drop a point or two on the commissions. We don't charge retainer fees. If I don't think I could sell your business, I'm not taking it, because I don't want to mess up my great statistics. But we don't charge retainer fees. I'm results-driven. I've been in this industry for over 20 years.

Before this, I've sold franchise consulting, franchise development, we've sold over 1,000 deals, and we don't charge retainer fees. We're 1,000 percent results-driven. If we don't sell the business, you don't pay us. Now we might be a couple points higher because we're showing the rest, I'm investing my money, my time, expertise, resources to sell your business in the hopes that I can recoup my investment.

So we might be a couple points higher, one or two points higher than the people who charge retainer fees. And it really depends upon the size of the business. You know, if it's a smaller business, the commission points are going to be higher, if it's a larger business, then there might be some negotiation there. But it's different than what it is for real estate. You know, real estate brokers charge like, three percent, two percent, five percent, whatever it is. Advisors charge more than that. They're going to charge eight, nine, 10, 11, 12, somewhere around that range.

James: Well that's very helpful. Appreciate that.

Michelle: But on larger business, you know, we're like, Okay, what's your base? And this is going to be our percentage. If we get any more than that, then we get this, we get a higher percentage and then a higher percentage. But I would encourage everybody not to pay a retainer fee.

James: Yeah, I think that's a good idea. All the coaching students I'm taking on my high-level programs now are performance-based, and I think I read that 98 percent of the deals that come to you, you know, in the written form, are closed, so you have a high-closing ratio on the ones that make it through the funnel.

Michelle: Right.

The number one thing you'll want to take away

James: I did like in your book, too, you've got the timeline of where things should be disclosed or not. And all of the steps. We won't get into that. I'm just going to ask you now to close out with your top piece of advice.

If someone's listened to this entire episode, and they're thinking now, Okay, well, gee, I should be thinking about selling my business. I think I should think about who's going to buy it, and when they're going to buy it, why I want to sell it, where should they focus their first energy? What's the action step you'd love them to have written down from this episode? I'm sure it's probably call Michelle, but what else is there?

Michelle: Number one is buy Exit Rich book. And then number two is call Michelle.

James: Of course, exitrichbook.com. There you go.

Michelle: Yeah. And here's the thing I wanted to get across too, James, is that Exit Rich is not just about selling your business. So you know, all your listeners might be like, Oh, I'm not going to sell my business. Well, I'm here to tell you that nothing lasts forever. Remember my story about the little old lady whose husband dropped dead of a heart attack? You know, nothing lasts forever. You should always plan your most valuable asset with the end in mind. And Exit Rich is all about building a sustainable business that can operate without you that you can scale. And when you're ready, you actually have a saleable asset, and you don't end up in the 80 percent of businesses that never sell.

So number one action would be, you know, figure out what you want to sell for, what is your price tag? I mean, that's a question I always ask everybody. And they always look at me like a deer in headlights. Now, here's the other side of that coin, James, I ask you, what do you want for your business? And it's a little scary, because sellers will tell me, Oh, Michelle, I want 20 million. But then their EBITDA is $100,000. So it's also got to be realistic.

James: So you have to pay the price.

Michelle: I ask them, How did you come up with that number? And they say, Well, that's what I need to retire on. Or that's what I get paid for my other family. Or that's what I need to buy an island. And at the end of the day, buyers don't care about what you need, buyers care about what the value is to them. But the reason why I need owners to get crystal clear with what they want, and let me tell you something, there's two different schools of thought here that I've talked about at Exit Rich, you're going to have your price because you think that's what you need. You think that's your seller's sanity, that you have to have 20 million to retire on.

But when I sit down and work the numbers with you, you might only need 10 million, you know? So I think you've got to start with, what do you need? What do you need? What are you worth today? Most business owners have no idea what their business is worth right now. And then we've got to bridge that gap.

James: That's it. I do that same exercise. I ask what their number is, and they haven't even thought of selling the business. But if we work on the number, then it's like, what do we need to build for that number to be realistic?

Michelle: Exactly.

James: And I have this concept. I mean, it fits really well with a couple of things I talk about, OwnTheRacecourse, it's about building assets you control, and my book is called Work Less, Make More, and I feel a business that's good to sell is actually a really good business to keep. If your reason why isn't very strong to sell, then it's a good business to have in the meantime, if it does have good people running, if you do have great systems, if you do have fantastic patrons, if you've got proprietary edge on the market, they're wonderful businesses to run.

So thank you for sharing so generously. Thank you for sending me over a copy of the book to read. I really enjoyed it. I've read plenty of books on a similar topic because I wanted to educate myself when I was selling my businesses. I wish I had your book a few years ago, but it's not too late for anyone listening to this podcast to go and get it, exitrichbook.com. Thank you so much, Michelle.

Michelle: And James, can I tell your listeners all the value that they'll get if they buy it before launch date?

James: Go for it.

Michelle: Okay, so we're launching in June, but everybody that goes to exitrichbook.com, buys a book for $24.79, which is less than Amazon, we will send you the digital download immediately. So you don't have to wait. You don't have to wait until the book launches. So we'll send you a digital demo so you can start reading Exit Rich today. For anybody that lives in the United States, we'll send a hardcover to your doorstep upon launch date. Outside of the United States will be extra shipping, of course.

And then we will give you access to the lifetime membership of Exit Rich Book Club, where you get video content and me doing deep dives in these different strategies and techniques, but you also get documents, documents to run your business, documents to sell your business. To run your business, we have a sample policy and procedure manuals, SOP checklist, we have employee handbooks, non-competes. To sell your business, we have a sample letter of intent, purchase agreements, due diligence checklist and closing docs. These documents are there for your review and your immediate download.

If you went to your attorney to recreate it, it would cost you over $30,000 to recreate these documents. And then we give you a 30-day free membership in the Club CEOs, which is a mastermind where we do hot seats and Q&As, where we help business owners build sustainable, scalable businesses and when they're ready, they can exit rich.

All of that James at exitrichbook.com for $24.79

James: There you go. That's the most infomercial we've had for a while over here.

Michelle: Sorry, I didn't mean to be an infomercial.

James: That's all right. Our audience are pretty grassroots. I'm just curious as a marketer, just stepping aside for a sec, when you do your 30 days, do you trigger that from the purchase of the book? Or do you have optional continuity? I'm just curious from a marketing perspective.

Michelle: Yeah, we do it from the purchase of the book.

James: Gotcha. Okay. Very interesting.

Michelle: You know, that's a good question. I'm going to ask my administrative team, I think we do it from the purchase of the book, but it might be from when they log in.

James: I mean, there's two main ways to do it. And this is really our world here. And you can get into trouble with forced continuity, if you're not very, very clear on it, and if you don't remind people, etc. I've always done optional forced continuity. But I'll probably do a whole episode on that. If you're listening to this, and you're interested, I'll do an episode on different ways you can go about, because I just set up a book funnel, I literally just set up a book funnel for SuperFastResults.com/book for my own book, and it's giving away my book.

And then I upsell the print copy and the audio version. And then there's a coupon sent for SuperFastBusiness where I give $70 off the first month, so they basically access it for less than $1 a day instead of $99. So that's the way I'm testing it. Maybe we'll review that and see. We can compare notes, Michelle.

Michelle: Yeah, maybe you can consult with me on that.

James: Maybe.

Michelle: And I'll consult with you on the next businesses you sell.

James: Yeah, definitely, if I'm going to sell another business, I'm coming back to you to chat about that. So this is Episode 829. We'll fully transcribe this, because we got through a lot of content in this. We'll put it up there at SuperFastBusiness.com, and we've been listening to Michelle Seiler Tucker from exitrichbook.com. Thank you so much.

Michelle: Thank you, James. Thank you for having me. It's a pleasure.

James: All right.


superfastbusiness®
Get the most out of your online business with help from James
CLICK HERE