

Selling Your Business To Outsiders

Managing a Controlled Auction

Alan Creedy



Rule #1: Be Prepared

Outside Buyers:

An outside buyer is an individual or entity that is not your partner, employee or relative.

1. "One Buyer is No Buyer"

Your goal is to sell for as much as you can reasonably (or, sometimes, unreasonably) get whereas the buyer's goal is to buy for the least amount possible. Consequently, your goals are not, nor can they be, in alignment. Even if you have a "preferred" buyer it is important in selling to outsiders to have options. It keeps things moving and ensures you optimize your what you get and keep.

2. Your Culture Will Change

Even though some buyers maintain nothing will change you can be assured that, at some point, things will change. It may not be today but, inevitably, the new owner will begin to incorporate their own style.

You need to think about how important this might be to you. Sometimes this change will be for the better but just as often it will cause discomfort of one form or another. If it is important, you need to make culture "fit" a part of the process.

3. Will you stay on or "toss the keys on the desk and walk away"

Most buyers will want and, even, demand your active presence for a transition period. This can range from months to years depending on your unique circumstances. You should decide now what you will be comfortable with.

- ❖ If you want to walk away you should have:
 - A key employee who can step into your role
 - Be more or less unnecessary to the future operations or market share
- ❖ If you want to stay:
 - Do you want to work full time or part time?
 - Will you be able to meet the new owners operating expectations?
 - What is a reasonable compensation?

4. Are there Important or Key employees whose future you want to secure?

Many owners have long-term employees who have helped them build their business or sacrificed in some way to help them. They want to make sure those employees are taken care of. Again, this needs to be addressed up front with a potential buyer.

An **Important** employee is one who makes your life easier or better but whose departure would not impact the business.

A **Key** employee is one whose departure would somehow damage the business and / or its future.

Buyers are very sensitive to key employees in a business. They will want some assurance that those employees will stay at least through a transition period. There are a variety of ways to make that happen including stay bonuses and value appreciation shares.

5. Process Vs. Event

People tend to think of retirement and the sale of a business as an event. But wisdom dictates they are both processes that involve planning. If you have ever sold a home you know that if you want the best price you have to fix it up. You might upgrade "curb appeal" or you might fix up the bathrooms and kitchen. Most likely you will have the carpets cleaned and the trim painted so it will show at its best.

So it is with selling a business. Buyers are buying opportunity not problems. Be prepared to spend time and money correcting issues like:

- ❖ Resolve any EPA problems with your property
- ❖ Clean up your preneed accounts
- ❖ Get your books in order
- ❖ Pay down long term debt
- ❖ Improve your average sale
- ❖ Update your pricing
- ❖ Get rid of unnecessary payroll

Rule #2: See Rule #1

The Controlled Auction

What is it?

A controlled auction is a **structured process** in which prospective buyers **compete** to buy a business. **"Auction"** because there are multiple bidders. **"Controlled"** because the process unfolds in a carefully planned sequence to ensure and protect a strong negotiating position.

Preliminary assumptions:

- There is more than one potential qualified buyer
- Enough information is compiled beforehand for them to make a bona fide offer
- Potential buyers have the financial ability to close a deal quickly

The Process:

Assessment Phase:

This involves an exhaustive onsite interview & inspection with each primary stakeholder (spouse, partner, & potentially, children & key employees) focusing on these specific goals:

- What are the seller's real goals for
 - Selling the business
 - Retirement
 - Post sale involvement
- What needs to be done to:
 - Protect, preserve and build value
 - Compile the necessary information for the controlled auction phase
 - Develop employees and / or children to step into the seller's roles
 - Create a continuity plan to protect the business in the event of the current owner's death or disability
- Determine a realistic value for the business
- Explore tax strategies for tax mitigation
- Prepare recommendations for enhancing value

Preparing the business for sale:

Some businesses are ready for sale at the time of the assessment phase but most are not and the Preparation Phase varies from simple to complex and can take from a few months to several years.

Identifying prospective buyers:

Our process helps you think about and identify prospective buyers based on the following criteria:

- Are they likely to be interested
- Do they have the financial ability to consummate a deal without seller financing
- Are they likely to be a good fit
 - Will you be comfortable working with them
 - What kind of culture will they bring
 - What expectations are you able to work with

The Offering

Step 1

A "blind" offer containing enough information to allow someone to decide if they are interested is mailed to the prospect list by an independent representative along with a non - disclosure agreement.

Step 2

Those who return the signed non - disclosure are sent a detailed Confidential Offering Memorandum and invited to submit a non-binding offer with terms and conditions.

Step 3

The final selectees will be provided with any detailed information they have requested and invited to make an onsite visit, meet the owner and ask any questions directly. This will conclude with their submission of a Letter of Intent.

Step 4

A final candidate is selected and any final negotiations and due diligence is performed.

Integrity

In this context Integrity refers to the discipline of the process itself. Sellers as well as buyers must respect and protect the process of a controlled auction. Sellers must be sincere and straightforward with all information and must respect the rules of each step of the process.

Likewise buyers must be able to have faith that the process is fair and equitable. There can be no favoritism until the final stage when the seller will sometimes make choices based on "fit" as well as price.



Alan Creedy has a degree in Psychology with a Certificate in Public Accounting who began his career as a “trouble-shooter” for a diversified holding company with interests in banking, equipment leasing, light manufacturing, insurance, business-to-business and business-to-government enterprises. He learned to quickly analyze core problems, develop and prioritize solutions and implement strategies for quick turnaround.

He began his career in DeathCare thirty-five years ago as President of the financially distressed OGR Service Corporation, the for-profit arm of The Order of The Golden Rule. After five years and the successful rebirth of the company he accepted an invitation to become President of Brown-Wynne Funeral homes and cemeteries. There he built upon the already successful legacy of a highly respected company; ultimately orchestrating the sale of the company in 1990 for 10.5 times EBITDA.

During this period he and Mr. Wynne acquired J.J. Fallon Company, the 28th largest retail florist in the FTD network. He reoriented the company strategy and created new growth and value, and, at the same time, he developed an innovative method of controlling cost-of-goods sold that enabled the company to significantly increase profitability. After the turnaround the company was sold to a private equity firm.

After the sale of Brown-Wynne, Mr. Creedy became president of Trust 100, a company he helped found in 1985. As president he built the company to become one of the largest preneed marketing companies in the nation. He sold the company in 2008

Since the sale of Trust 100 Mr. Creedy has built a successful consulting practice focused on the DeathCare industry. He is an acknowledged expert in funeral operations, finance, staff and cultural development and leadership. He is also an expert in preneed marketing and sales

He is a frequent contributor to industry trade journals and convention speaker and recently served as Chairman of the Funeral Service Foundation.

His Islands of Excellence© Leadership Development Programs and Blue Ocean Tours have helped independent funeral professionals across North America make positive and profitable changes to their business.

Certificates and Accreditations:

Certificate in Public Accounting University of Illinois 1978

Certificate to administer and interpret the Benchmark Leadership Assessment
Center for Creative Leadership 2008

Completed training for administering Visual Explorer tools for leading group discussion on sensitive topics
Center for Creative Leadership 2009

Accredited by Human Synergistics International to administer and interpret:
Organizational Culture Inventory
Organizational Effectiveness Inventory
Leadership Impact assessment
Management impact assessment
Life Styles Inventory

Certified Exit Planner - Business Enterprise Institute 2015



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