



BUSINESS MANAGEMENT

# 3 Steps to Successfully Sell Your Company

Preparation, marketing and closing the deal are essential to a successful sale.

JACOB OROSZ — MARCH 4, 2017

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You have worked long and hard for decades to build your landscaping company. The grass is now greener on the other side: You are burned out, considering retirement or starting a business in another industry. Just how likely is it that you can exit your landscape business and reap the rewards of decades of hard work? Is the grass really greener on the other side or is this a myth?

Let's face it. Acquisitions are common in the landscape industry. Because the industry is mature, growth is difficult to create organically. Most mature competitors realize this and buy growth or grow via acquisitions. How likely is it that you can sell your landscape business to a competitor? What can you do to prepare your business for sale and maximize the purchase price?

**There are three simple steps to help you successfully sell your landscape business.**

## Step 1: Prepare for the sale

The first step is to properly prepare your business for sale. Ask yourself: “Do I want to maximize the purchase price or am I OK just getting what my business is worth in its current state?” If your goal is to maximize the purchase price, then begin with the first step and complete the checklist before you consider selling your business. If you do not want to maximize the purchase price, then you may skip step 1 and proceed to step 2.

Preparation involves a lot of hard work, and if you are already burned out, you might not have the energy to do the work it takes to properly prepare for the sale. You can implement some quick fixes, but proper preparation requires more time and energy.

Preparing your business for sale requires focus so you don't become overwhelmed. Seeking help from a professional adviser, mentor or expert can be immensely helpful during this stage because the adviser can help you maintain focus on those elements that will have the biggest impact.

Prioritizing is also paramount because one simple step may have a greater impact on valuation than all the other steps combined.

### Here's a prioritized checklist of steps you can take to prepare your business for sale:

- **Increase revenue** — The higher your revenue, the more likely that a competitor will buy you out. If you are a small landscaping company with fewer than five to 10 employees, then you are only selling a job, not a business. According to research by IBISWorld, there are nearly half a million landscaping companies in the U.S. Based on my experience, 90 percent of these companies do not make suitable acquisition targets because their revenues are too small.
- **Obtain a valuation** — Hire an expert to value your company so you can determine the current valuation and the gap you must close to meet your goals. Doing so gives you a clear target to aim for.
- **Increase recurring and repeat revenue** — Contract-based work from a repeat customer base that results in recurring revenue is like honey to bees for your competitors. Build as much recurring revenue as possible.
- **Raise prices** — Don't talk about raising prices; do it now. One-hundred percent of your price increase will fall to the bottom line (in your pocket), which will immediately increase the value of your business.
- **Build a strong management team** — A strong management team can be relied on in growing your business. The higher your revenue and the more infrastructure your business has, the easier your business will be to sell. Larger companies are always easier to sell in the industry than smaller businesses.
- **Consider your customer base** — Acquirers will closely critique your customer base. Landscaping companies with certain customer bases make much more attractive acquisition candidates. Generally, the niches with less competition, repeat work and higher prices command higher company valuations, and these tend to be in the commercial areas.
- **Build your team of experts** — Make sure you have an experienced attorney and CPA on board. Having these experts on your team is an expense, but they may help you increase the sales proceeds and thus pay for themselves. Your attorney can help you prepare your company for sale from a legal standpoint

and advise whether your business is prepared for due diligence. Your CPA can ensure your numbers are in order before you put your company on the market.

- **Ride the wave, but time your exit** — The recent growth in the housing market and the increase in disposable income equals more industry demand. If you can, time your exit during the peak times of the industry. Valuation multiples drop as industry demand declines.
- **Accept industry trends** — Labor shortages, rising health insurance costs and competitors that offer low prices will continue to be challenges in the industry. Don't waste time fighting these tsunamis. Instead, focus your time on what you can change.
- **Plan your retirement** — If you are considering retirement, meet with your tax planner and financial adviser to discuss the tax implications of the sale and determine if you can retire and live on the sales proceeds.

## Step 2: Confidentially market your business

If, and only if, you have already prepared for the sale, then you can begin confidentially marketing your company for sale. By this time, you are fully prepared in case a competitor approaches you out of the blue.

Depending on the size of your company and who the likely buyer will be, there are two methods to sell a landscape company.

### **Selling a business with less than \$5 million in annual revenue.**

If you own a smaller company, you are selling a job. You will likely be purchased by an individual. It is unlikely for a competitor to buy you. You sell a company like this by hiring a business broker.

- A broker confidentially advertises your business for sale online and in other publications.
- The potential buyer base will be diverse, but they will be individuals who have owned a small business before or those who are currently employed and are looking to go into business for themselves.
- If they already have extensive experience in the landscape industry, then it is unlikely they will pay top dollar, so your focus will be on those buyers that have related experience but are considering entering the industry.
- If a contractor's license is required in your state, then you will have to remain with the company until the buyer obtains their license.

### **Selling a business with more than \$5 million in annual revenue.**

If you own a larger landscape company, the buyer will likely be a competitor. The sales process will be different from that for a smaller landscaping business. I recommend retaining an M&A adviser who can confidentially contact competitors on your behalf.

- Your adviser will prepare a teaser profile that does not identify your company.
- You and your adviser will then prepare a list of 25 to 100 potential competitors who may be interested.
- It then takes three to four months to contact all competitors and ask for a bid. The initial round will not disclose your company name.

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- Once a buyer demonstrates interest, then the buyer will sign a nondisclosure agreement before any information on your company is released to the buyers. Information is then released to buyers in phases.
- Ideally, you will receive several offers on your company and you will negotiate and accept a Letter of Intent (LOI) with one of the buyers.
- Once you accept an LOI, then you'll move to Step 3.

## Step 3: Close the deal

Congratulations! You have accepted a Letter of Intent and are near the end zone. The key to closing the deal is building and using a superstar team of advisers. At this point, a team of experts comprising the following will help you toward a successful closing:

- **Business broker or M&A adviser** – This will be the quarterback of your team. You need someone you can trust 100 percent. They should also be able to develop chemistry with your attorney and CPA.
- **Attorney** – An experienced M&A attorney can review the documents used in the process. They can also assist in preparing the confidentiality agreement, LOI and definitive purchase agreement. Additionally, your attorney can help you prepare for due diligence.
- **CPA** – Your CPA will be involved in the due diligence process and will also help you navigate the tax implications of the sale.

## Sell your business right

Selling a business requires three major steps: preparing, marketing, and closing the deal. It may sound simple, but those are not necessarily easy to implement. It takes time, dedication and a lot of patience to successfully sell a business. Don't leave money on the table. Start planning for your exit long before making that big decision of selling the business, you worked so hard for.

