

# 11 Steps to a Successful Business Purchase





## Thank you for your interest!



We believe that if you follow these suggested steps, the business buying process will be much more efficient and enjoyable for you.



## Who we are

Gateway Business Brokers has a singular focus: maximizing business buying and selling opportunities for entrepreneurs in throughout Atlantic Canada and Western Canada. Our success is built on facilitating win/win transactions for the well-qualified buyers and sellers we represent. Our key to success is our proven process designed to deliver outstanding results for both parties in every sales transaction.

We place a priority on maintaining **transparency** in the sale and purchase of every business. We honour our duty to hold every transaction in the **strictest confidence** to protect your privacy and the viability of the sale. Both buyer and seller can expect **loyalty** and full disclosure from Gateway Business Brokers throughout the transaction.

## Who we are

Gateway recognizes that buying or selling a business will often be the most significant transaction a family will undertake. Many of the buyers we work with are moving to a new province, stepping into a completely new way of life. For these reasons, Gateway is often required to support both parties to ensure a **successful transition**.

This balanced, advisory approach is for the benefit of both parties, regardless of which side of the table you are seated.

There is no greater success for us than having happy clients.



## Self Exploration

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**We believe it is very important to know yourself very well before investing your savings into the acquisition of an existing business.**



We believe you should know your goals and make sure that buying a business will help you fulfill them. In our research of who are the most successful buyers, we have come across three criteria that seem to be common amongst many professionals that may help you decide how to go about buying an existing business.

## Self Exploration



### What do you like to do?

You can really be successful in a business if you like what you do. Make sure that you enjoy the day to day activities of your new business.



### What do you know?

Your chances of success are much higher if you have knowledge, experience and/or education in the field in which you are considering to invest.



### What are the market opportunities?

Not all fields offer the same potential for profitability. Some industries are very mature and competitive while others are more profitable and fast growing.

## Self Exploration

Often times most business buyers are looking for businesses that make money irrespectively of whether they would be happy managing these businesses and whether they have (or could quickly acquire) the competencies necessary to succeed in these businesses.

**Profitable businesses are in demand and as a consequence sell for higher prices.**



**You can make a great deal happen if you find a business that only you can make successful!  
It is your unique qualities that will make you successful in business.**

## Criteria's for selecting your business

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**Answering some important questions will help you determine the criteria's you are looking for in your business**



## Criteria's for selecting your business

Clearly defining the criteria's you will use to select your business will help you save a lot of time in your search process. **It is important to answer some questions concerning your purchase:**

- ✔ Why are you buying a business?
- ✔ What is most important to you?
- ✔ In which industries are you interested?

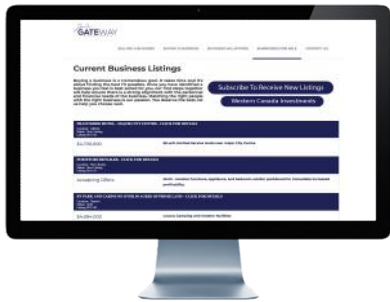
- ✔ How much income are you expecting?
- ✔ Do you have the funds available?

## Looking for Business Listings



Develop a list of businesses in which to select from.

You can find a number of selections from our listings.



Or from other businesses for sale in Nova Scotia.



## Develop your short listing

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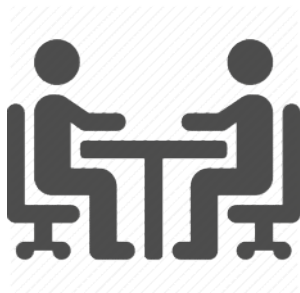


**Apply your criteria's to the listings viewed and select a short list that best fit your criteria.**

## Interviewing Sellers/Brokers



It is generally impossible to understand the businesses listing that you may be interested in, solely based on a short description.



Having a face to face interview with the business seller/agent is a necessary step to enhance your knowledge about the business opportunities you are contemplating. A lot of business listings are represented by business brokers.

The majority of brokers are reluctant to give information about their businesses over the phone.

## Interviewing Sellers/Brokers

Since business sellers are concerned about the confidentiality of the sale of their businesses, business brokers have to screen potential business buyers before supplying additional information about the businesses for sale. For this reason, most business brokers will ask you to come to their office for more information about the business you are inquiring about.

This will allow you to show that you are serious about buying a business. The time spent is a necessary cost to buy a business. It can be an expansive process that can cost you a lot of time and money if not done right. Doing it properly will certainly reduce this cost.



Buying a business is a full time job

## Visiting Businesses



**Visiting the business premises will give you additional information about the business.**

Do you see yourself managing the business? Pay particular attention to the day to day activity of the business owner. Is it something you see yourself doing everyday for the next 5 years at least? This will be a serious commitment and it is very difficult to reverse.

Buying a small business is more like buying a job. If you don't like the job, chances are that you will not be successful. You will need to spend many hours, days and months learning the business and working hard at it. This would be difficult if you didn't enjoy your job.

▶ Some buyers focus too much on profits and forget about the job itself.

## Seeing Financial Statements

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While financial statements are very important in buying a business, we believe they are not everything:

- Most small business owners are so concerned about paying less tax that they do everything they can to reduce the amount of profits in the financial statements.
- Financial statements only talk about the past and not about the future.
- Sometimes, financial statements do not reflect the reality of the business.

## Seeing Financial Statements

**Many small business owners/business brokers will not provide financial statements before a non-binding Letter of Intent is agreed upon between the Seller and the Buyer.**

Business sellers are so afraid of having their financials in the wrong hands that they are reluctant to provide them to potential buyers who did not show a serious interest in the business for sale.

**A very common practice in Atlantic Canada is to provide basic financial information to a prospective buyer, have him/her submit a non-binding Letter of Intent for the business, along with a deposit to be held in trust in the Real Estate/ Business Brokerage company, and then provide all financial information required for proper due diligence.**



## Making an Offer – Letter of Intent



Some business buyers may be reluctant to make an offer before knowing everything about the business being contemplated.

Please know, It is not common practice to provide buyers with complete information before hand for obvious confidentiality reasons. Letters of Intent are always non-binding and conditional on proper due diligence and legally binding Purchase and Sale Agreement.

## Making an Offer – Letter of Intent

Buyers will only know the ins and outs of a business after he/she has received some serious documentation and spent some time asking all kinds of questions to the business owner, employees, customers, suppliers and other stakeholders. This information, if given to the wrong hands could seriously jeopardize the future of the business under investigation.

High level information is typically only provided to serious buyers who have submitted a Letter of Intent and was agreed upon, and who made a reasonable deposit.

## Due Diligence



The due diligence period is the time period after a Letter of Intent has been agreed upon



It is our goal to minimize the costs involved for buyers and to achieve a high level of probability that a deal can be completed before the real dollars need to be spent. During due diligence, buyers require as much information as they can get to make sure that the picture painted to them by the seller/broker is close to the real picture of the business

## Due Diligence

Buyers require all types of documentation and information about the business such as:



Complete financial statements  
(audited statements if available)



Franchise agreement (if the business  
is franchised)



Tax fillings



Lease agreement



Customer list



Insurance agreements

## Due Diligence

**Sometime financial statements do not reflect the reality of the business and it is common that a buyer will spend a period of time observing the day to day activities of the business.**

A condition is generally included in the Letter of Intent stating that the buyer has to satisfy him/herself at his/her own discretion with the sales activity and level of profits by staying physically in the business and controlling income and costs for a predetermined period of time.

## Removing Conditions



After working through the due diligence period and reviewing all items, a buyer will finalize their decision about purchasing the business. The buyer has three possibilities:



## Removing Conditions



### **Proceed with the deal and remove all conditions:**

The deal becomes firm and the money changes hands in time of closing.

### **Renegotiate the deal:**



In some cases the buyer and seller recognize that some information, revealed only in the due diligence period, have a serious impact on the business value, and as a consequence, the buyer and seller agree on different terms and conditions for the deal.



### **Refuse the deal:**

The buyer gets back his/her deposit after a mutual release is signed between the buyer and the seller.



## Transition period



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**The transition period is very important in preserving the value of the business, which is often neglected in negotiations.**

Most small business transactions have an important value assigned to goodwill, which is the intangible value derived from the different relationships developed by the seller over time with customers, suppliers, employees and the knowledge/knowhow residing in the company that directly impacts the way they do business and make profits.

The transition period helps buyers familiarize themselves with the operations of the business, build new relationships with customers, suppliers and employees and keep the business as profitable as it was before.





**Thank you**

## Looking for Business Listings

**Gateway Business Brokers offers a myriad of qualified and serious businesses for sale! Just give us a call!**



**902.441.9589**



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