

Prepare to Sell your AMC

Accumulate Documentation
Make the AMC Sellable
Envision the Transition
Enhance AMC's Net Worth
Determine the Terms
Identify Buyers
Valuation

Accumulate Documentation

- Tax returns 5-7 years
- Audited (reviewed) Financial Statements 5-7 years
- Internal Financial Statements
- Summarize client contracts, dollars, hours, etc
- Prepare organizational flow chart
- Identify key personnel
- Review a detailed valuation questionnaire - know in advance what information is needed to enhance the valuation.

Make the AMC Sellable

- Start to remove the owner from operations
- Focus on improving profitability
- Manage future commitments (leases, etc.)
- Determine the AMC's strengths & weaknesses
- Summarize the AMC's recent successes with client organizations
- Identify pipeline of potential new clients
- Identify positions/dollars that could be eliminated in a buyout
- Shift owner's responsibilities away from client services (ED role)

Envision the Transition

- Walk away?
- Stay until transition is complete? Six months? One year?
- What is the added value of smooth transition? Or not?
- Or, form a partnership or merged firm? Sell shares and buy in to a new firm?
- Or, former owner becomes employee/president and remains to drive the ship?
- Seek qualified professional assistance (CPA, Lawyer, etc.)

Enhance AMC's Net Worth

- Improve the bottom line and cash flow of the business-
Price is a direct function of profit/cash flow
- Begin to remove the unnecessary expenses – owner perks, unnecessary trips, etc.
- Segregate expenses that will leave with the owner.
- Identify any niches that the AMC serves
- Identify growth potential with current clients
- Summarize historic growth with current clients
- Identify value of customer loyalty, employee loyalty, sustainability of earnings and ease of transition.

Determine the Terms

- Price Target
- Payout Target
- Date Target
- Client Retention Clause?
- Transition Consulting?
- Owner financing?
- Earn-out agreements?
- Salary and bonus structure to seller

Identify Buyers

- Another AMC in mind?
- Use a Broker?
- Employees?
- Partners?

Valuation

- Valuation document is only the starting point for the seller
- Valuation normally assumes that buyer is buying a stand alone business
- Valuation does not factor in the synergies that a buyer may achieve
- Quantify what expenses you can expect the buyer to remove from your business and factor that additional profit into a revised valuation.
- Methods – discounted cash flow, multiples of revenues or earnings (past or future), net income.
- Reality - The company is worth what a buyer is willing to pay