TRANSWORLD®

Business Advisors

# THE BUYERS JOURNEY

*AN ENTREPRENEURS GUIDE TO ACQUIRING YOUR NEXT BUSINESS*

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# NOW THAT YOU'VE DECIDED TO BUY A BUSINESS

## WHAT COMES NEXT?


Welcome to the thrilling world of business acquisition. This is a journey for the bold, the brave, and the ambitious. Whether you're an entrepreneurial novice ready to make your mark, or a seasoned professional looking to expand your portfolio, this guide is your roadmap to success.

Owning a business is the ultimate power move. It's an opportunity to shape your future, expand your wealth, and create something of lasting value. But let's be real—the process can be complicated and risky. That's where we come in.

The journey to owning a business is both thrilling and challenging. From identifying the perfect business and performing due diligence to striking a deal and finalizing the acquisition, this guide is designed to help you understand the process, avoid common pitfalls and seize opportunities with clarity and confidence.

Welcome to the exhilarating world of business ownership. Let's embark on this journey together, unlocking the path to your future success.

Let's get started!

# ABOUT
# TRANSWORLD BUSINESS ADVISORS

At Transworld Business Advisors, we stand as a global frontrunner in facilitating the sale and purchase of businesses, franchises and orchestrating mergers and acquisitions.

No matter where you’re at in your entrepreneurial stage - whether you're a corporate entity looking for acquisitions or an individual aspiring to own your own business or franchise - we have the expertise to bridge the gap between buyers and sellers effectively.

### OVER 15,000 BUSINESSES SOLD

With over 400,000 buyers in our network, We are a uniquely positioned mainstreet market firm combining global mind-set with local reach

### GLOBALLY BACKED, LOCALLY SOURCED

With over 250 offices in 49 states and 15 countries, we’re backed by global partners, marketing and resources - all while having a strong pulse on the local market

### 850+ DEAL MAKERS WORLDWIDE

As the global leader in the business brokerage franchise industry, we have proudly facilitated the success of more than 15,000 business sales

### ENTREPRENEUR MAGAZINE FRANCHISE 500 RANKING

#1 in category, we have consecutively ranked in the top 300 for over the pat decade

# THE BUYER PROCESS

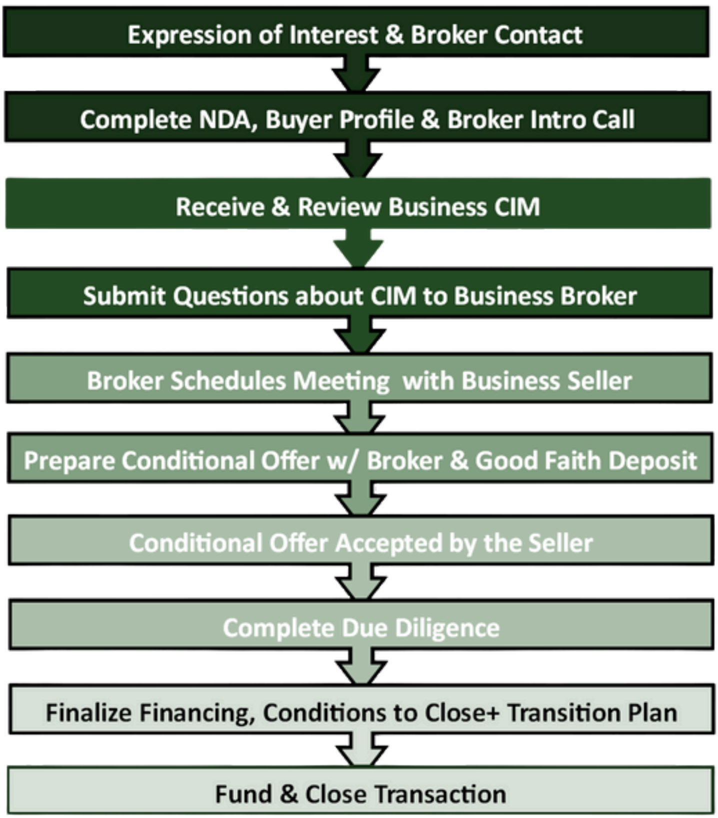


## WHAT TO EXPECT

Venturing further into the Transworld business buying process, we find a series of systematic steps a buyer is guided through, post identification of the target business.

Under the proficient guidance of a broker, each step is navigated in the specified order. The ultimate aim? Providing potential buyers with ample information to confidently decide on the business purchase.

These steps thoughtfully balance the privacy needs of the seller while progressively offering interested buyers more detailed information throughout the process.



Embarking on the journey of acquiring a business is a significant decision that requires careful planning and strategic thinking. This process goes beyond a simple financial transaction and demands a deep understanding of the business landscape, thorough research, and a clear plan for growth. To navigate this complex endeavor successfully, a systematic approach is essential.

As we've dubbed, "the 8 steps to entrepreneurship", this outline provides a birds-eye view of each aspect of acquiring a business, from initial research and assessment to finalizing the purchase and integrating the new venture. Each step is thoughtfully designed to support well-informed choices and set the stage for a successful ownership experience.

## TAKE CHARGE

STEP 1

You have made the decision to control your financial future by purchasing a business. Owning a business is the greatest way to build wealth and take charge of your own destiny. Now the process begins to help find and acquire the right business for you.

## EVALUATION

STEP 2

To initiate the purchasing process, start by organizing comprehensive information about your financial situation, skills, experiences, and personal life objectives. This detailed information will help you commit to the process and identify the most suitable business opportunities to pursue. Once this step is completed in collaboration with a reliable advisor, we will commence the search utilizing Transworld's extensive range of resources.

## EDUCATION

STEP 3

You won't feel comfortable making a decision until you understand what it takes to buy a business. We will explain the process and help you understand the realities of the current marketplace. You will learn how to use online forms, to search the Internet for businesses, to read Business Listing Information sheets, to understand basic valuation concepts, and to review our available opportunities.

## STEP 4 — SEARCH

Time to roll up your sleeves and dive into the exciting process of finding your business. A trusted advisor will be with you every step of the way, guiding you through confidentiality agreements, providing in-depth business information, and coordinating meetings with sellers. This process may require you to fine-tune your business search and explore various opportunities until you find the perfect fit. Remember, the best things take time, so if the process extends over a few months, it might be beneficial to revisit the learning phase.

## STEP 5 — OFFER

It's time to lay the foundations for your business acquisition. Present your potential seller with a purchase and sale agreement, accompanied by a good faith deposit held in escrow to embody your earnest intent. Once the negotiations are over, you will hold in your hands a binding contingent purchase agreement, paving the way for you to obtain the business.

## STEP 6 — DUE DILIGENCE

This period is where you fully inspect the owner's representations are accurate. An advisor will coordinate the efforts of your legal and accounting professionals and strive to satisfy all contingencies. If there is financing involved your application must be approved by the lender, proving that you are qualified for repayment of the loan.

## STEP 7 — CLOSING

Final preparations will be made for lease assignments, utility transfers, financing, merchant service accounts, inventory counts and any other last minute preparations to make the transfer as seamless as possible. Your acquisition will usually be completed by an attorney with the signing of several documents and the payment of the balance of the purchase price.

## STEP 8 — POST-CLOSING

Transitional training by the seller may include meetings with employees and clients, technical education, and knowledge transfer. An advisor will help with questions and post-closing needs. Remember the process for future assistance from Transworld in selling your business.

# **FUNDING YOUR** ACQUISITION

Determining the funding for acquiring your business marks a vital first move towards ownership. Thankfully, a plethora of avenues exist to secure the necessary finances, even if an outright cash purchase isn't feasible for you.

## SELF-FUNDING

Self-funding, or bootstrapping, uses personal savings, family funds, or retirement accounts like a 401(k). A ROBS (Rollover as Business Startups) allows you to invest retirement funds without penalties. While this gives full control, it risks long-term savings. Careful budgeting and advice from a financial expert are key.

## SBA

SBA loans, partially guaranteed by the Small Business Administration, are issued by approved lenders to businesses of all sizes for various needs. Benefits include competitive terms, support, education, lower down payments, and no collateral for some loans. Downsides include multiple requirements and a potentially long approval process.

## EARNOUTS

A creative funding method for business acquisitions, an Earnout involves the seller receiving additional payment if the business meets specified financial targets in the future. This arrangement reduces buyer uncertainty by linking payment to future performance metrics like gross sales or earnings. Various financial targets, such as net income or revenue, can influence earnout structures.

## SELLER FINANCING

Seller financing allows business buyers and sellers to avoid traditional banks by creating a funding arrangement where the seller acts as the lender. This method shows the seller's confidence in the business's health and income generation capacity. Hesitation in offering financing may raise stability concerns for buyers.

# KEY PLAYERS
OF A BUSINESS SALE



During the complex process of acquiring a business, several professionals have vital roles in guaranteeing a seamless and prosperous transition. Recognizing the significance of each essential player is crucial for navigating the intricacies of a business acquisition.

## BUSINESS ADVISOR

Your trusted business advisor is the linchpin in the process of selling your business - think of them as your personal team quarterback. They're there every step of the way, offering insights into market trends, assessing the current state and growth potential of your business. Not only that, but they're also your advocate during negotiations, striving to get you the best possible terms. And should any hiccups, conflicts, or other issues arise, they'll be on hand to navigate you through, ensuring a smooth and successful sale.

## ATTORNEY

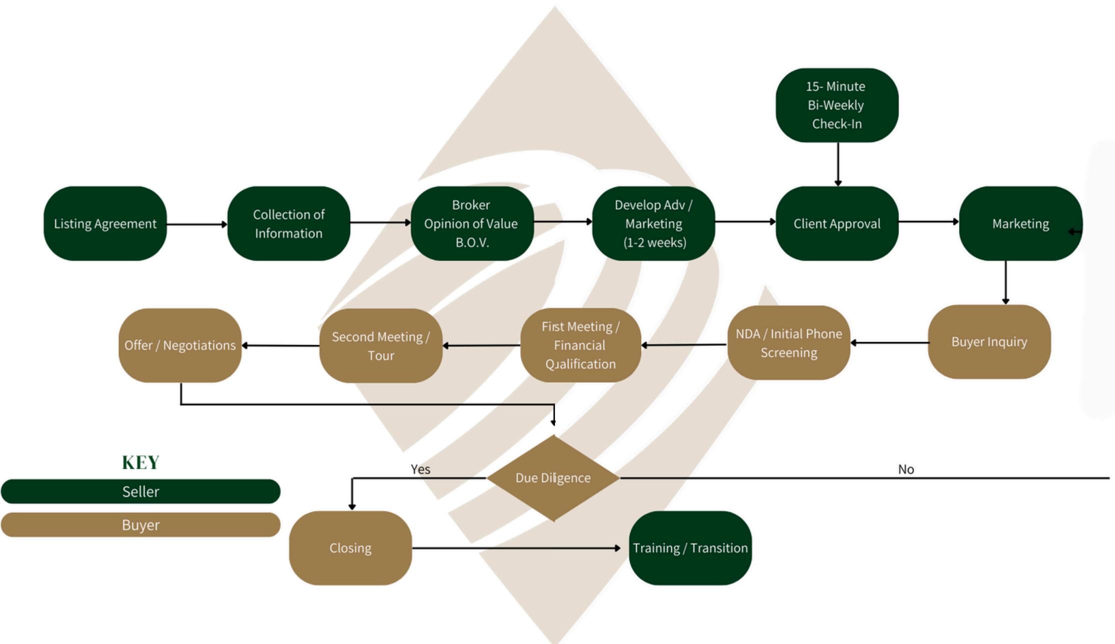
Attorneys, especially business attorneys, play a vital role in ensuring legal compliance and minimizing risks during transactions. They assist in drafting and finalizing legal documents like purchase agreements and non-disclosure agreements to protect all parties involved. Working with knowledgeable legal counsel helps streamline the selling process and ensures adherence to relevant laws and regulations.

## CERTIFIED PUBLIC ACCOUNTANT - CPA

Throughout the sales process, tax statements and other relevant documents aid buyers in comprehending the business's historical value and background. These documents can be complex and require the expertise of professionals. CPAs play a crucial role in structuring the sale to be tax-efficient for the seller. They provide advice on various aspects such as sale structure, asset sale versus stock sale, and negotiation strategies.

# THE BUSINESS SALE
PROCESS

From the first meeting to the final closure and beyond, numerous steps make up the business sale process. A line chart illustrates the sequence of events for both buyers and sellers.



# **COMMON BUYER** MISCONCEPTIONS



In the world of business acquisitions, buyers often fall prey to numerous misconceptions that can result in not-so-favorable outcomes. Let's take a moment to debunk some of these common myths and offer clarity to guide you toward success in your acquisition endeavors. Our aim is to eliminate these misunderstandings, equipping you with the knowledge needed to make confident, informed choices that will lead you on the road to success.

## BUY A BUSINESS WITH NO MONEY DOWN

Purchasing a business without a down payment is not only risky, but typically unheard of. Althought there are outliers, an acquisition without money down is typically frowned upon by sellers, as it exposes them to significant financial risk and ensures the buyer's commitment. Also, lenders are usually unwilling to finance a business acquisition without some level of down payment, as it serves as a safeguard against risk and demonstrates the buyer's financial commitment.

## BYPASS CPAS AND ATTORNEYS TO SAVE COSTS

Forgoing legal and financial professional assistance in a business acquisition is one of the riskiest decisions a buyer can make. Legal complexities and financial verification require a CPA and attorney. Even the most experienced buyers hire a CPA or attorney to finalize deals. Lack of professional guidance may lead to skewed terms, especially if the other party has their own experts.

## BUY A FULLY OWNER-ABSENTEE BUSINESS

Being an entrepreneur requires a great deal of effort, and active involvement in the business is essential for it to function at its best. When individuals attempt to create a business that can be run passively, we often witness the consequences. Buyers who purchase a business and either try to operate it remotely or neglect it are setting themselves up for failure.

## THE PERFECT BUSINESS IS OUT THERE

The reality is that no business is without flaws. As you navigate the process of purchasing a business, you will encounter red flags and mistakes in every company you assess. Ultimately, it's about identifying the business where you see potential to implement changes and improvements. Issues with employees will always arise, supply chain challenges are inevitable, and there will always be aspects to manage. When you examine a business, this becomes your opportunity.

# FREQUENTLY ASKED
BUYER QUESTIONS



## WHY BUY AN EXISTING BUSINESS OVER STARTING A NEW ONE?

Building a business from the ground up can be a mountain to climb. However, stepping into an already thriving business offers a runway of benefits. From a minimized risk profile to a loyal customer base, a list of reliable vendors, a team of seasoned staff, a track record of financial performance, immediate cash influx, and established credibility. Choosing to take over an existing business offers a solid foundation for stability and potential growth, making it a valuable alternative to launching a fresh start-up.

## WHAT WILL THE PROCESS OF BUYING A COMPANY COST ME?

Typically, the seller takes care of the business advisors fee. But keep in mind, this isn't the only expense. You'll likely need to budget for legal and accounting services. Plus, there could be other initial costs to consider.

## HOW DO I KNOW THAT THE PROFIT FIGURES THAT THE SELLERS CLAIM ARE TRUE?

During the acquisition journey, you'll navigate the crucial "due diligence" phase. This is when the seller will share documents to confirm their profit figures. It's all part of ensuring a transparent and trustworthy process.

## WHERE CAN I GO TO LOOK AT WHAT BUSINESSES ARE AVAILABLE TO BUY?

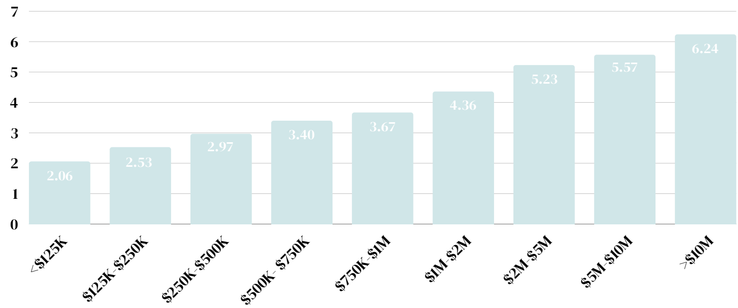
Our Current Listings page is filled with a variety of enterprises ready for you to explore. **Sign up for our free buyer registration** to get alerts to your inbox when a listing matching your search criteria becomes available. You can also join our Buyer Match service or browse through other business listing platforms on our website. If any business catches your eye, don't hesitate to contact your assigned Transworld representative. They are eager to facilitate communication with the seller or broker on your behalf.

# CURRENT MARKET TRENDS



Transworld’s propriety data reveals significant insights into the current market landscape. Let’s take a look at what the recent data in telling us.

## Average of List Price by SDEx

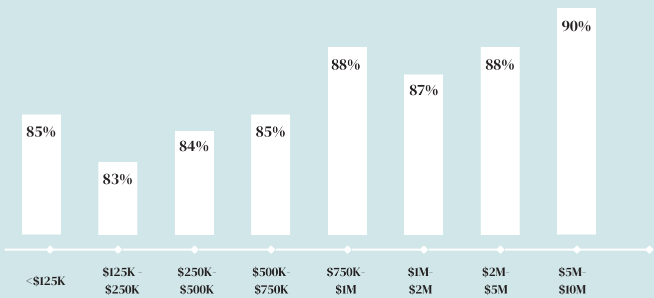



Source: Transworld internal network database collected for calendar year 2023. All listings used had listing agreements in 2023.

AVERAGE LIST PRICE HIGHLIGHTS:

- While there are other ways to determine value, SDE remains the most popular for small to medium-sized businesses (SMBs).
- "We've learned over time that as the quality and quantity of earnings increase, so does buyer confidence. That translates to the buyer willing to pay more," says Andy Cagnetta, Transworld Business Advisors CEO.
- Takeaway: Bigger businesses are more valuable.

## Average of Close Price % of List Price




Source: Transworld internal network database collected for calendar year 2023. All listings used had listing agreements in 2023.

AVERAGE OF CLOSE PRICE % OF LIST PRICE HIGHLIGHTS:

- There is little pricing negotiation that happens if the business is valued correctly. Transworld transactions close at an average of 85% of the listing price.
- The internet (and access to getting information) is better than ever. Buyers can comparison shop, just like they do with everything else.
- Takeaway: Price it right; get it sold.

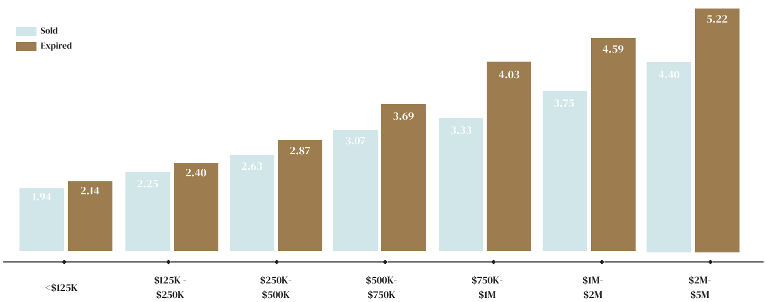
# List To Close Intervals (Months) by List Price Category


Source: Transworld internal network database collected for calendar year 2023. All listings used had listing agreements in 2023.

2023 LIST TO CLOSE INTERVALS (MONTHS) BY LIST PRICE CATEGORY HIGHLIGHTS:

- The larger the business- the more time it takes to sell. This slide confirms our assumptions. It makes sense because larger firms are more complex.
- Brokers only get paid when the deal closes, so they have a shared interest in getting across the finish line.
- Takeaway: Have reasonable expectations.

# List Price SDE Difference Between Sold and Expired Listings




Source: Transworld internal network database collected for calendar year 2023. All listings used had listing agreements in 2023.

LIST PRICE SDE DIFFERENCE BETWEEN SOLD AND EXPIRED LISTINGS HIGHTLIGHTS:

- Work with a business advisor to ensure you have the best and most accurate pricing to sell.
- Takeaway: The more accurate your pricing is the better a chance you have to sell.

# YOUR NEXT MOVE

## CREATE YOUR LEGACY

Embarking on the journey of buying a business is more than just a transaction—it's a chance to take control, steer your future, and grow both personally and professionally. As you navigate through the complexities of business acquisition, you're not just securing an asset, but shaping your destiny and stepping into a world of empowerment.

Purchasing a business is also the key to building a lasting legacy. It's an opportunity to create something meaningful and impactful, whether by innovating within an existing structure or fostering fresh ideas and values. The business you invest in can become a mirror reflecting your vision and values, enabling you to leave a significant imprint on your community and industry. As you successfully manage and grow your business over time, it becomes more than a financial triumph—it becomes a lasting legacy that influences future generations and stands as a testament to your unique mark on the world.

Now that you’re armed with the information and understanding of the road the lies ahead, it’s time to make the move and start your entrepreneurial journey.

with Transworld Business Advisors, you have a friend in business.

TRANSWORLD®
Business Advisors

**“THEY DID A GREAT JOB GUIDING US THROUGH OUR SMALL BUSINESS PURCHASE.”**
VIRGINIA HEDDEN

**“MY TRANSWORLD AGENT WORKED WITH US EVERY STEP OF THE WAY WHEN BUYING OUR BUSINESS.”**
ALAN NIELSON

**“FROM START TO FINISH, THE ENTIRE PROCESS WAS SEAMLESS AND STRESS-FREE, THANKS TO THE INCREDIBLE TEAM AT THIS COMPANY.”**
SHAWN HENDRIX

Taking the plunge into business ownership might appear daunting at first glance, but in reality, it's quite the opposite. With the right information and guidance, diving into entrepreneurship not only becomes achievable but also liberating. This guide brings clarity to the process, making the journey less intimidating. When you’re ready to begin, we'll support you every step of the way on this exciting adventure.

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