"Partner" On-Call® NETWORK
STREET SMART ADVISORS
SUPERIOR RESULTS

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John Martinka's 20 Rules of Business Exiting & Selling

1. Searching for a buyer is sales; it's the same as when you prospect for customers. There has to be a good fit and the buyer must add value (like you do for your customers).
2. Cash is king (and so is cash flow). The more cash flow you have the higher your price and the more cash you'll get a closing.
3. The queen is relationships and like in chess the queen is the most powerful piece in the game. It's a relationship game and don't forget it; nobody buys from or sells to someone they don't like.
4. It's not what you get; it's what you keep. Pay attention to taxes, terms and structure.
5. Watch out for dependencies in the business. The first place a buyer looks for dependencies is at the owner. How dependent is the business on you?
6. You must show confidence, speed and creativity; also demonstrate constant innovation.
7. Growth hides a lot of operational warts and those warts tend to work their way out.
8. Make it so the buyer falls in love with the business model and its value proposition (not just the product). This means build a business with a defensible competitive advantage.
9. The bigger the spreadsheet the less chance of a deal (don't let the buyer get analysis-paralysis).
10. There are no perfect deals so don't get emotional because the deal isn't perfect. Emotions cause more angst than anything else. It may be a "business" deal but they get very emotional.
11. What makes you a good business owner can make you a bad deal person.
12. Terms are often more important than price.
13. Don't fall for valuation traps and simplistic formulas. Don't believe that because a $400 million company sold for 10X EBITDA that your small business will also sell in that range.
14. Due diligence is for proving what you've told the buyer during analysis; it is not time for surprises. Don't forget to do due diligence on your buyer and do it sooner vs. later.
15. Understand that the buyer and the bank will be "nosy" and the administrivia near closing will drive you nuts, but must be done.
16. Have a great advisory team and use them. Don't try to do legal, tax or related work yourself. It's not worth it and you're likely to make a mistake (and those mistakes can haunt you).
17. Don't let your buyer get over-leveraged. Too much debt will come back to haunt the buyer and you.
18. You both will make a leap of faith. Do it right and that leap is off a chair not the roof.
19. The only thing worse than no deal is a bad deal. Be patient and make sure the buyer is a great match.
20. Don't run a lifestyle business (meaning don't blend your business and personal checkbooks). Take some time, prepare the finances, marketing and all of your systems and you'll maximize value.