

# 5 FAQs

FREQUENTLY ASKED QUESTIONS

# BEFORE SELLING A COMPANY

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THE MAIN DOUBTS OF BUSINESS OWNERS  
WHO WANT TO SELL THEIR COMPANY



# INTRODUCTION

There are things that we often only do once in our lifetime, and selling your company is one of them, so when an entrepreneur considers this idea for their company, they can have a lot of doubts. Even as many as when they founded it. At ONEtoONE, after more than 18 years advising on the sale and purchase of companies, and with thousands of sales orders, we have compiled the 5 most common questions that our clients have asked us when selling their company.

We all want to minimize mistakes when making important decisions in our lives. Answering these questions has been vital for our clients, and we hope it will be for you to. How much will it cost me to sell my company? Is this the right time? Who can I rely on to help me earn as much as possible? And, above all, is it the right time to sell? Yes, now more than ever, it is. We clear up your doubts so that you don't miss the opportunity.

This e-book aims to communicate, in the most simple and practical way possible, answers to the top 5 questions for an entrepreneur who wants to sell their company: how much is my company worth, when is the right time to sell, how do I sell my company, how much will it cost me, and who can I trust to help me sell?

All the information comes from ONEtoONE Corporate Finance Group who, as an advisor in hundreds of sale and purchase transactions for more than eighteen years, have enough experience to help you in one of the most important processes of your life.



*Our doubts are traitors, and  
make us lose the good we often  
might win, by fearing to attempt*

*- W. Shakespeare*



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# HOW MUCH IS MY COMPANY WORTH?

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# HOW MUCH IS MY COMPANY WORTH?

## 1 | PRICE AND VALUE OF A COMPANY

### PRICE OF A COMPANY

The **price of a company** is ultimately **determined by what a buyer is willing to pay**, but it also depends on how the concepts of value and price are balanced and the potential buyers that can be reached.

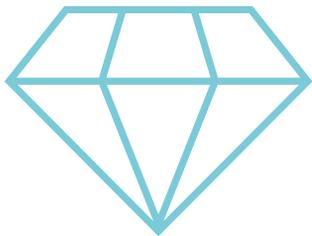
During negotiation, the price is fixed based on a review of the company's financials and market analysis.

To ensure the best price, it's crucial to understand the value of the company, which is distinct from the value of its shares. A professional valuation can help clarify the balance between the company's value and achievable price.



### VALUE IS SUBJECTIVE

It's essential to remember that **value is subjective** in the context of M&A and represents the range of what a company might be worth. This is determined using various valuation methods, which aim to minimize the margin of error in determining the company's actual value.



Although, determining the precise value of a company is challenging, as the valuation methods used only give a range of potential values.

This range serves as a guide to determine the right price for the company, which can vary depending on the chosen valuation method.

**Advisors** may have **preferred valuation methods**. Different strategies can be employed, including the 'football field' valuation strategy, which involves comparing results from multiple methods to establish a comparison to determine the company's value. Ultimately, successful negotiation is key to turning a good valuation into the best achievable price.

# WHEN IS THE RIGHT TIME TO SELL MY COMPANY?

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# WHEN IS THE RIGHT TIME TO SELL MY COMPANY?

Timing is critical in achieving the best price for your business. Determining the right moment to sell involves weighing personal, business, and economic factors.

By understanding market trends and identifying windows of opportunity, you can increase your chances of securing a favourable outcome.

Currently, a high level of liquidity attracts large financial and international groups seeking growth through acquisitions. However, it's important to remember that these opportunities may not always be available, especially if there are future recessions.

Hence, if you believe that your personal circumstances and business prospects align to maximise your company's value, now may be the best time to sell.

## THE THREE INDICATORS TO SELL

The three reasons that indicate that we are in the best moment to begin the process of selling a company are:



### ECONOMIC CYCLE

Selling a business during an economic boom is recommended when money is abundant, and the company's value is high. This makes it easier for buyers to secure financing and increases optimism, potentially leading to higher sale prices.



### INTEREST RATES

Interest rates are an important factor in determining the right time to sell your company. Low-interest rates result in a higher mathematical value for companies. Currently, interest rates are at a historic low, making companies worth more than ever. However, it is expected that interest rates will eventually rise with inflation.



### UNEXPECTED LIQUIDITY

The 2008 financial crisis resulted in unprecedented liquidity, causing money in private equity and central bank balance sheets to reach record levels. If considering a sale, looking for a buyer who can create the most value for the company and its employees. A good option could be a foreign group with less redundancy and more growth potential in a new market, is recommended.



# HOW DO I SELL MY COMPANY?

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# HOW DO I SELL MY COMPANY?

You are undoubtedly a specialist in your business and your industry, but entrepreneurs usually only sell their businesses once in a lifetime. If you know how to manage your business, an advisor knows how to sell it in the best way.

Buying and selling a business is a science in itself. You have to know the timing, the process, the prices, the state of the market and mastering negotiation. Also, you need to know how to handle the paperwork and documentation. In addition, you have to know how to find the buyer who can pay the most.

Once you have decided to sell your company, a process begins that will be led by your advisor, who will guide you through the phases of selling your company:



## 1 | The documentation and valuation of your company

An in-depth valuation analysis is essential not only for a good sale but also so that we can make improvements within the company and upgrade its performance.



## 2 | The search for the ideal buyer

The search for the perfect buyer and a good negotiation are key elements for a successful sale, which reflect the hard work of the business owner.



## 3 | The due diligence process

This validates that everything said is true and there are no hidden liabilities.



## 4 | The negotiation of the sale and purchase agreement

This finalizes the agreement and sale price of the firm once a buyer has completed the entire due diligence process.

Several concepts are decisive for the success of the operation. Some of them are the confidentiality of the entire process and the exclusivity of the advisor, who will guarantee the aforementioned confidentiality.

Your job during the sale, which may take a long time, is to focus on your company to strengthen its value. Maintaining its profitability will determine the price and the closing of the transaction.

## 3.1 | THE PHASES OF SELLING YOUR COMPANY

### VALUATION OF YOUR COMPANY

A lot of business owners ignore the importance of making an in-depth valuation analysis, this is essential not only for a good sale but also so that we can apply improvements within the company and upgrade its performance. Generally, what we believe a company is worth differs with what it is really worth.

The valuation of a company is a technical analysis that requires a deep and fundamental financial know-how. The first step is to determine the characteristics and factors that provide value to your company so an educated guess can be made.

### FINDING THE PERFECT BUYER FOR YOUR COMPANY

The search of the perfect buyer and a good negotiation are key elements for a **successful sell that reflects the hard work of the business owner**. It is important to avoid falling in the mistake of selling the company to the first counterpart that makes an offer. It is the advisor's job to know how to look for and identify good and different alternatives.

To be successful in this step of the process it is necessary to answer three questions:



Which are the different **types of buyers**?



How to know if a company might be of **interest for a buyer**?



What are the **research methods** for finding ideal buyers?

## TYPES OF BUYERS

Knowing the profile of the business-person or entity that is willing to buy your company is key. The 6 main types of buyers are the following:



### Suppliers

In the majority of cases, a supplier tends to acquire a company with the intention of performing a vertical integration that will give him access to a relevant client of the acquired company.



### Current clients

The interest of acquiring a company from the side of a client comes from the necessity of guaranteeing a secure supply, controlling at the same time the price of origin.



### Venture capital

The main objective of a venture capital is to enter in high-risk sectors of high growth and opportunities. It should be taken into account that over 30% of the acquirement of businesses count with the participation of a venture capital.



### Competitors

The majority of acquisitions of this kind of buyers are part of a competitive strategy, being defensive against the participation of foreign companies with a bigger market share.



### Company from other sector

A buyer from another sector might find appropriate to acquire a company that works with specific products and/or services that might complement the innovation and growth strategy of the acquiring company.

## HOW TO KNOW IF A COMPANY MIGHT BE OF INTEREST FOR THE BUYER

Analyze or identify what type of buyer is suitable for you is not easy, therefore it is important to know the different interests each buyer has and if your company matches them. Due to this, it is important you are aware of the following matters:



Knowing the **trends inside the sector** and the **participation** of the buyer in it.



Knowing **the distribution of the different business lines** of the potential buyer.



Knowing the **strengths, weaknesses, opportunities, and threats** of the potential buyer.

## WHAT RESEARCH METHODS CAN BE USED TO FIND THE BEST BUYER?

By applying tools such as **SWOT analysis, Porter's Five Forces and Boston Boxes**, it will further help you to understand the different interests each buyer has and if your company matches them.

### SWOT ANALYSIS



SWOT Analysis, it will help you understand the **strengths, weaknesses, opportunities and threats** of the sector, your company and the company of the buyer.

### PORTER'S 5 FORCES



Porter Five Forces, will help you know if the **sector** of your company seems **attractive** for a certain type of buyer.

### BOSTON BOXES



Boston Boxes are useful to analyze the **business portfolio equilibrium** of a buyer and identify why your company could add something valuable to a specific buyer.



*It is essential to know the different interests each buyer has and if your company matches them.*



## THE DUE DILIGENCE PROCESS

Once an indicative offer has been signed with a potential buyer, the next stage begins. This next step is the due diligence process, which is used to validate that everything that has been said about the company is true and that there are no hidden liabilities.

During this phase, the level of transparency and precision from the seller should be extremely high, as it is here where the buyer will be able to see in-depth and full detail the company he is about to acquire. Due to its level of delicacy, we recommend you to manage it with extreme caution, and if possible, with the support of a professional advisor.

## THE SALE AND PURCHASE AGREEMENT (SPA)

The last step of an M&A process is known as the sale and purchase agreement or SPA. When creating the contract of sale, excellent care and attention must be taken. A single paragraph in the contract can make the difference between a successful or failing deal.

The optimum situation at this point is to get guidance from knowledgeable counsel. The SPA is not something to take lightly due to its complexity. The agreement is made up of 5 sections.

## 3.2 | SALE AND AGREEMENT PURCHASE SECTIONS

### 1 | Description of the transaction



This phase is about describing the transaction, whether it involves selling assets or a business. It is important to clearly state each party's intentions using simple language. For asset sales, it is crucial to be specific about the assets and liabilities being transferred, and any excluded properties.

If it involves the sale of stocks, the specific items being sold are described in detail, including the boundaries of the transaction for multiple firms and shares.

### 2 | Terms of agreement

The document first mentions the price of the transaction, along with the conditions that come with it. These conditions include payment methods, deferred payments, variable payments, currency, and events that may affect the price.



Additionally, the contract may specify whether surplus cash is included in the deal or given to the seller as dividends, although this is not always necessary for the transaction.

### 3 | Representations and guarantees



Liability warranty conditions take into account the potential damage, inconvenience, or loss caused by faulty or false information, which may be compensated to the buyer.

An escrow account or bank guarantee may be used to retain a portion of the purchase price or deposit, depending on the situation.

#### 4 | Limited responsibility

The seller's liability for obligations to the Treasury, Social Security, or third parties is typically limited, and there are specific deadlines for filing responsibility claims. The contract also establishes a minimum level of responsibility to prevent minor disputes, which varies based on the transaction's size and the parties' agreement. However, deadlines for certain obligations, such as taxes and employment, follow legal deadlines.



#### 5 | Conditions of the agreement



The sale and purchase contract often includes non-compete clauses to prevent the seller from starting a competing business and stealing clients. This helps protect the business's reputation.

Sometimes, the contract is made with conditions that must be completed before closing, such as acquiring approvals, contract assignments, or the seller performing specific tasks.

Each of these sections have a high level of importance and they should be perfectly executed to assure a successful operation.



# HOW MUCH WILL IT COST ME TO SELL MY COMPANY?

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# HOW MUCH WILL IT COST ME TO SELL MY COMPANY?

This is undoubtedly one of the most frequently asked questions when meeting with entrepreneurs considering selling their company: How much does it cost to sell my company? The answer can be summarized in two words: **it depends**.

It should be clear that for a once-in-a-lifetime transaction in which you have no experience, it is more advantageous to rely on professionals. We recommend that you have at least one **M&A advisor**, one **lawyer**, and one **tax advisor** for the process of selling your company.

As you can see, many individuals are needed, and each one charges for their services in some form. When you decide to sell your company professionally, **you must ask them about their fees**.



The **financial advisor** is the first link in the chain and the one that will accompany you throughout the process of selling your company. Generally, when you contact financial advisors to discuss your company's sale, you will find two types of fees: fixed and success fees.

This advisor is vital because he will 'create' the operation. Their fees are usually a percentage that will depend on the size of the transaction; the higher the transaction value, the higher the fees, so the alignment with the client's interests is maximum.

Success rates can range from 1% for large transactions to 6% for small transactions.



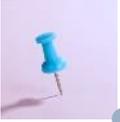
As for **lawyers and tax advisors**, they usually enter the transaction when there is already a first agreement between buyer and seller. Their fees are usually fixed for the time they will need to spend to underpin the transaction.

Again, depending on the complexity of the transaction, their fees can vary in a very wide range, nowadays, between 25,000 and 100,000 euros.

## 4.1 | FIXED FEES

Fixed fees are charged regardless of the outcome of the process. They are commonly associated with documentation delivery or the achievement of specific landmarks during the sale process. It is not uncommon for the advisor to offer to deduct these fixed fees from the success fees. The truth is that they usually only represent a tiny part of the total costs in the event of a deal closure. However, they are still a cost that the business owner must “advance”.

### CONTROVERSY AROUND FIXED FEES



#### 1 | Relevance

The controversy around fixed fees is their relevance, that is, should I pay them or not? This doubt arises because some advisors work only on a success basis.



#### 2 | Profit structure

When a business owner starts the process without spending a penny, they have not embraced the sale of the company and they will always be tempted to pull out at any time. Also, a business owner who does not trust their advisor will think that if they have not made the right choice of advisor, at least they have not spent any money. Perhaps the business owner has repeatedly heard cases of friends saying, “*they charged me and did nothing*”, or perhaps they have already experienced it themselves.



#### 3 | Classification of earn-outs

While we cannot guarantee that this will not happen, most of the time this lack of professionalism occurs when the transaction has been put into the hands of people who do not work exclusively in this profession. There are excellent professionals who will dedicate many hours to the sale of your company. Ask your lawyer, your tax advisor, a competitor who has already sold, or search on the internet for reference.



#### 4 | Coherence

Not having an initial fee in the process will also affect the advisor and could generate a conflict of interest in the long run, as they may want to close a deal at any cost and without considering whether the chosen buyer is the best option for their client. This would, in part, be due to the advisor’s fear of not closing the transaction and thus not obtaining any fee (if everything is dependent on success), despite having given away time and work.

## BUT WHAT IS FAIR?

This is a question that has no easy answer, especially when, as in our case, we sit down with companies that go from 5 million in revenues to 500 million. Each of them has different peculiarities and complexities.

But what we can say is that at ONEtoONE, each project no matter how small, will have at least two people working on it and could have up to ten. Think about the cost of a senior employee in your company and the hours that they will dedicate each month to a project, and you will have a very rough idea of the price range for fixed fees.



*Even if you believe that you have found an advisor in your first meeting, try to obtain a few different proposals and compare them.*

*Remember that you are only going to sell your company once.*

*Negotiate hard, defend your money, and make sure they will protect your interests, but always seek a fair agreement for both of you.*

## 4.2 | SUCCESS FEES

Success fees are obtained upon the completion of a project, whether that is selling or buying a company that you have been looking for.

However, they can also be complex to calculate. In the sale of a company, the norm is to pay a percentage of the company's agreed value, since the higher the price achieved, the greater the reward for both the client and the advisor.

Most commonly, the percentage rate will be inversely proportional to the transaction size; that is, higher percentages will be incurred in smaller transactions, and lower rates will be incurred in larger transactions.

The purchase/sale of a family company is not governed by the figures of Nasdaq-listed companies. The risk of selling, or rather not selling, a small or medium-sized family business is much greater than in large multinationals. For greater risk, there is a higher cost. The range of rates is very wide for family companies, and usually goes from 1% for large transactions to 6% for small transactions, based on the transaction value.

**Make sure you demand that the rate applied to your transaction is justified. To avoid surprises about how much it costs to sell, grab a calculator and with an estimated value of your company, do the calculations to avoid misunderstandings in the future.**

# WHO CAN I TRUST TO SELL MY COMPANY?

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# WHO CAN I TRUST TO SELL MY COMPANY?

You have dedicated your whole life to your company, and with it, you have built up your wealth. When it comes to selling it, you are not going to put it in the hands of someone who doesn't recognize its significance and what it means to manage your wealth.

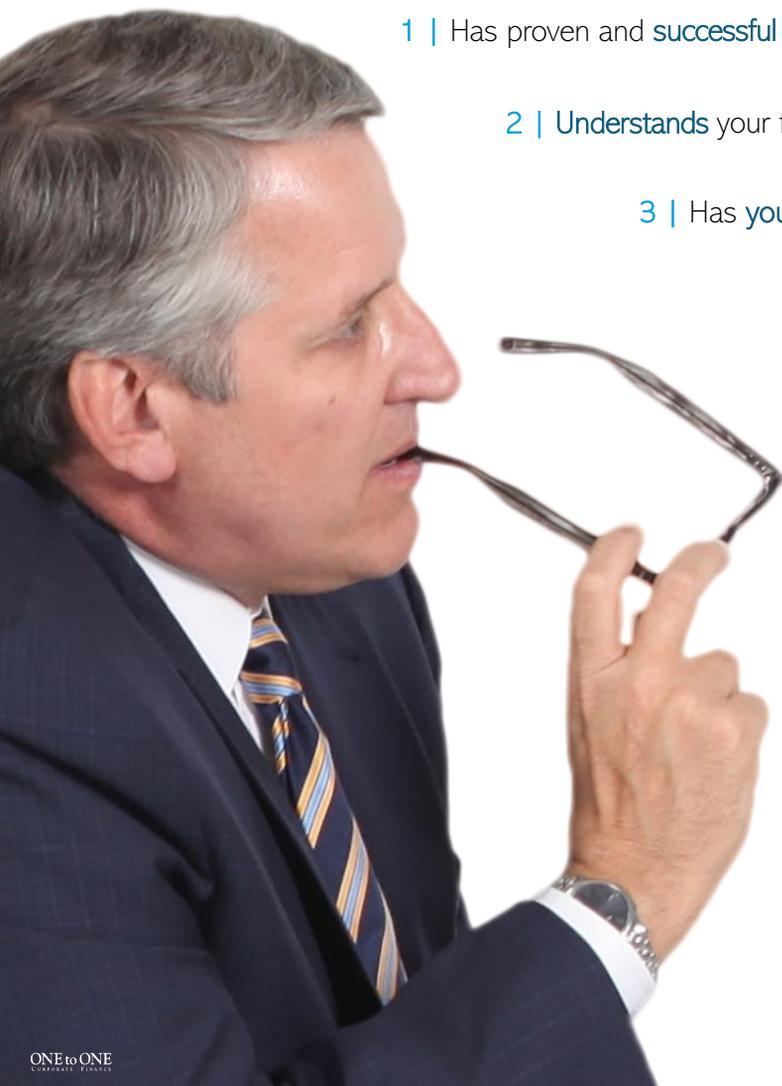
Selling a company is a technical and financial job with a lot of research and strategy behind it. When dealing with such matters, we need to be able to trust the person in front of us.

Make sure you trust for the right reasons. Sure, you can trust the family lawyer or a lifelong friend, but not place on them the enormous responsibility of carrying out a complex transaction that they have never done before.

You should ensure you spend time looking for someone you can trust to sell for the right reasons. You can rely on an advisor who:

- 1 | Has proven and **successful experience in selling** a business.
- 2 | **Understands** your family, financial and personal.
- 3 | Has **your best interests** at heart.
- 4 | Has **access to buyers** who can pay more and better.
- 5 | Is **legally and contractually bound** to handle the transaction with **confidentiality**.
- 6 | Treats you **humanely and honestly**.

*The reality is simple: to sell your business, you need the help of a professional who specializes in business sales.*



## 5 | FINDING THE RIGHT M&A ADVISOR FOR YOUR COMPANY SALE



### Understands your business

Your M&A advisor must have a factual understanding of present and future industry trends, enabling technology, and interdependent industries to raise the value ceiling significantly. With this, they can design an optimal collection of investment candidates when selling your company.



### Find the best investors when selling a company

A great investment advisor will identify the investors and firms who are most interested in a client's offering.

The advisor will quickly identify the best matches for each client using analytical techniques to provide a clear target profile.



### Leverages global reach and local insight

An experienced advisor should leverage a vast international investor network that conjoins numerous industries. Your advisor should then leverage access to other valued M&A colleagues with a thorough understanding of financial markets, industries, and companies in each region globally.

This enables them to open conversations with new investors and corporate networks who ensure a significant interest in the deal.



### Sees business in a personal light

A skilled investment advisor is fully aware that the success of a transaction depends on addressing the financial, family, and personal implications of the company for the business owner.

It is essential to find an advisor who understands how important your company is to you. This way you can ensure the best possible outcome for you and your business.

# CONCLUSIONS



The **value of a company** is a complex determination that is influenced by multiple factors, including the buyer's perception, market analysis and financial values. With the help of professional valuation methods, the aim is to arrive at a fair price that reflects the company's true value. A successful negotiation with the right buyer is crucial to maximizing the price and achieving a successful sale.



**Timing** is a critical factor in getting the best price for a business and can depend on the economic cycle, interest rates or liquidity. It's recommended to seek a buyer who can create the most value for the company, often a foreign group with less redundancy and more growth potential in a new market.



**Specialist advisors** play a critical role in guiding the business owner through the process and ensuring that they get the best possible price for their company. Confidentiality and exclusivity are also key to the success of the operation.



The **cost of selling** a company varies depending on the complexity of the transaction and services used. Hiring a financial advisor, lawyer and tax advisor is necessary to ensure a smooth and successful sale.



**Trusting someone** with such an important task is crucial and it is important to find an advisor who has proven **experience**, **understands** your personal, financial, and family needs, has **your best interest** in mind, has access to high-paying buyers, is bound by confidentiality, and treats you respectfully.

## ONEtoONE CORPORATE FINANCE

ONEtoONE Corporate Finance Group is a global digital investment bank focused on small and medium-sized companies. We specialise in mergers and acquisitions, company valuations, investor search, and financial advisory services.

Founded by experienced investment banking executives, ONEtoONE has a global team of professionals working locally and in teams worldwide in more than 25 different countries to offer the best combination of services to our clients. To date, ONEtoONE Corporate Finance has advised more than 2,000 mandates in 26 sectors.

## CONTACT US

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