SUCCESSFUL SELLING

Simple steps you can take to make your business more attractive to a potential buyer  BY CASEY PAYTON

No matter what your reason for selling a business, the state of the economy has certainly made this task more challenging. Even if it’s something you think may be in your future, planning ahead can really pay off when it comes to making your business more attractive to buyers.

Mark Lawrence recommends that the No. 1 thing you can do to make your business more attractive is to get debt paid off. He recently bought Simply Yards, Anacortes, WA, from the previous owner, who was looking to retire.

“It’s very difficult to deal with banking if there’s debt in the business,” Lawrence says. “Whether you’re trying to acquire a business or sell one, banking can be brutal. The more you can do to make that process go smoothly, the better.”

It also helps to maintain a strong reputation. “If you give out 15 references, make sure all 15 of those references are going to make you look like the King of England,” says Lawrence. “Everybody
has ghosts in their closet, but when you’re selling a business, those ghosts are going to try to find a way to come out. It’s important to tie up as many loose ends as you can before people start looking into your company’s history.”

Ken Thomas, former business owner and Green Industry business mentor, says that while every buyer is a little different, they are going to be interested in how secure the business will be in paying off the purchase price and making a return on investment.

“Most buyers are more interested and will pay more for long-term maintenance contracts that will return a predictable revenue over time,” he says. “The bottom line is that commercial maintenance contracts are more appealing to buyers.”

George Morrell, who owned the landscape business Morrell Group and sold it to an investment group that bought four other Green Industry companies, agrees. The fact that 92% of his revenue was coming from recurring business made it very attractive to buyers, he says.

“It’s a hard truth, but landscape companies aren’t worth much today,” Morrell says. “What buyers want is that recurring sales contract, and that comes from the maintenance side of the business. At the time, I had been diagnosed with cancer and needed to get out of the business quickly. Having a strong maintenance company made the business easier to sell.”

To make sure you’re making the right moves, it’s important to consult with a number of professionals, adds Thomas, who has gone through selling several companies over the years. He says the most important expert is a qualified business broker who understands the landscape acquisition market.

“It’s also important at some point to discuss the specifics of the deal with your accountant to understand the tax implications,” he says. “I would also advise reaching out to someone else who has sold their business to get their advice.”

While there are some ways you can prepare yourself to sell, the bottom line is that you have to be realistic, says Lawrence, who says he’s witnessed other selling companies asking way too much in this marketplace.

“The biggest problem is that people still have an old vision of what their company is worth, but you have to be willing to throw out the old methods of calculating a business’ worth,” he says. “Many landscape business owners think their company is worth more than it is — and with that mindset, you’re never going to be able to sell your business. To be successful at selling, you have to have a good game plan, make sure you do the planning with the right professionals, and accept a realistic view of what your company is really worth in today’s market.”

Ken Thomas, former business owner and Green Industry business mentor, says it’s important to understand the types of buyers on the market nowadays. He believes there are three kinds:

1. **THE INDUSTRY BUYER.** These are larger landscape companies that are looking to grow by acquisition, according to Thomas. They know the market, and are savvy in terms of what they want out of an acquired landscape business. The big industry players today include Brickman and ValleyCrest.

2. **THE VENTURE CAPITAL BUYER.** “These are private investors who are looking to invest in large companies in order to grow them and ultimately sell them,” he explains. “They are looking for efficiency, but they don’t know the landscape industry the same way that the industry players do. They know a lot about business — not landscaping — and the way they’ll look at your business is quite different.”

3. **THE PRIVATE INVESTOR.** This buyer typically uses “private money, usually from an individual or partnership, to get into the landscape business,” says Thomas.

Thomas says that knowing the type of buyer who is looking at your company is important because it not only changes the selling process, but the post-acquisition phase. In some cases, the former business owner and his or her team may be more valuable than others.

“Green Industry professionals who are acquiring companies may be interested in building upon existing market shares, and looking at a company as a tuck-in,” says Thomas. “They are not as depending on the existing top management staying around for the long run.”