

# What a business broker learned in the past 22 years

Our Reno office is now celebrating 10 years in business and this year I will be celebrating 22 years as a business broker. I have been fortunate enough to have an inside look at hundreds of different businesses of all types. Some transactions come together and some don't. I think now would be an appropriate time to ponder some of the lessons I have learned in the last 22 years.

## 1. Know when to leave.

Kenny Rogers said it best. "Know when to hold 'em, know when to fold 'em, know when to walk away, know when to run." This should be the theme song of all business owners.

## 2. Plan, plan, plan.

Most people never plan for illnesses or retirement. In our business there is only one thing that is certain, all businesses will either change hands or close. More and more business owners and their loved ones are getting



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illnesses they never planned for. It is crucial to have a plan in place where someone can take the reins and if necessary a plan to sell the business. Knowing the value of your business early on is essential to proper planning. It is important to start planning for an exit on Day 1 and updating that plan annually.

## 3. Don't be greedy.

If you plan properly, you should be able to maximize the value of your business. Having a competent broker help you determine the value of your business is crucial to obtaining top dollar for your business. Remember if

several buyers are interested in your business, that does not mean it is worth a premium or you were not asking enough. It usually means it was marketed properly and you are priced right. I have seen several deals fail in recent years over very minor points.

## 4. Seriously consider all good offers.

You never know what the future will bring. Countering good offers is risky. I cannot tell you how many clients turned down good offers in 2006 and returned in recent years with values far less than the offers they walked away from. Many of those businesses did not survive the recession.

## 5. You can never predict the market.

Very few experts predicted the recession that severely impacted every single business I know. Regardless of your political views, Obamacare will have a significant effect on all businesses. Margins are already small and they continue to diminish as businesses fight for their market share. No one knows what tomorrow will bring. Additional taxes, fees and healthcare cost will continue to take a bite out of the bottom line.

## 6. Stay on top of technology.

There were many businesses that used to be highly profitable that have become nearly obsolete due to new technology. If you have a business that is affected by technology, it is critical to stay on top of trends, change with the times, diversify if necessary and know when to exit.

## 7. Keep good books.

There are a lot of business owners who do not keep up to date profit and loss statements. The importance of staying on top of profits is critical to any business. Changes in percentages can be key indicators of problems in the company and can identify red flags early. When we evaluate a business, we look at three years of financials side by side where we can analyze changes in costs and margins. These

are key indicators for the planning process. Many times, through an evaluation we can uncover areas of concern that were not known.

## 8. Be careful not to overleverage your business.

This can be a tricky task especially when you are in a growth pattern. The process of planning an exit strategy will help you identify what you will have left when you sell, which will allow you to plan appropriately.

## 9. Go with your gut.

When it does come time to sell, make sure you have the right advisors and brokers on board. Interview brokers and make sure you have the right attorney. I've heard countless stories of people who had a gut feeling they went with the wrong person. Hiring the cheapest advisor or the one who claims they can get you a higher price isn't always the best decision. If your business doesn't sell it will cause more harm than good. Selling a business is one of the most emotional experiences you will ever go through; make sure you feel comfortable with all involved.

## 10. Enjoy life.

This is tough advice for most of us who were raised to be hard workers (me included). Most business owners have never planned to retire and many of them never do. A quote from my dear 86-year-old friend and mentor: "Enjoy your life while you can. I wish I would have retired while I was healthy enough to have enjoyed myself"

The bottom line is selling your business or acquiring a business is one of the most important and complicated things you will ever do. Having the right advisors guide you through the process is essential.

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