

## ***Questions to Ask a Business Broker***

### **Are you a full-time business broker professional?**

When selecting a business broker it is important to find one you like and trust. Ask about their education and experience. Ask the broker for references and call those references. Ask the business broker about their professional affiliations and designations. Visit the office and see if it is what you expect - a professional environment backed with all of the necessary marketing and sales resources. Ask to see the office manual of policies, procedures and forms. Ask to talk to the brokerage owner and learn if he/she spends 100% of their time managing and supporting the brokers.

### **How do you value my business?**

There is no simple method, but to approximate the value of your business, you should consider both its assets and earning power. The earning power of a business is defined as the annual pretax earnings plus owner's salary and perks added back, which determines the real earning power or the Seller's Discretionary Earnings (SDE). Multiply the SDE by a risk number (multiplier) to determine value. Also, market-based data (comps) can be used in conjunction with an SDE methodology so that they can serve as a "reality check." Most buyers and lenders place extensive weight on the company's ability to generate earnings. Therefore, it makes sense to use earnings methodologies to determine the value of a business and then use market-based data to check the reality of the value. As with most things in life, demand and asset value will also influence the business value. Desirable businesses and businesses with a large asset value command a premium.

### **Do you have an active database of buyers?**

Successful business brokers enjoy a large "queue" of buyers. A large brokerage with many brokers has thousands of buyers in queue. Find out if your broker has buyers looking to purchase a business like yours. In our brokerage, approximately 50% of our buyers come from the queue of buyers in the various broker's databases. You'll have a

better chance of selling if the business broker already has buyers looking at businesses for sale.

### **Do you have a large number of businesses for sale?**

A large number of businesses for sale attracts a large number of buyers. Ask how many businesses your broker's office has for sale. One of the best tools to promote the sale of a business is similar businesses for sale. A good business broker should be able to expose your business to a large pool of potential buyers. Having a large quantity of businesses for sale attracts a large pool of buyers.

### **How accessible are you once I agree to let you sell my business?**

The lines of communication should always be open. The business broker is representing you and acting on your behalf and should be available for consultation as required. It's reasonable to expect that your business broker will return messages or emails promptly and that you will be given regular updates. It is good to inquire about a broker's responsiveness when talking to references.

### **How many buyer prospects will you typically talk when selling my business?**

A good business broker keeps detailed records of every active prospective buyer that has passed through their screening process. Ask to see some samples of the broker's buyer database files. These files will show how many buyers visited other businesses for sale. These records should include the prospect's financial status and the kind of business each is looking to buy in terms of type, size, geographic area and other pertinent information. A successful broker will have prospects ready as soon as you list your company.

### **Do you have a highly effective website?**

In today's global marketplace, prospective buyers are no longer limited to a small geographical area. A buyer for your business could come from anywhere in the world, if your business broker has an effective website and it is easy to find. The Internet is a



powerful marketing tool. Check out your broker's website. Is it easy to find? Is it easy to use? Does it project an efficient, professional image?

### **Are you a licensed or certified business broker?**

Some states, like Minnesota, require business brokers to have real estate licenses. Why? A real estate license forces the broker to understand the laws of agency and understand his/her fiduciary duty to you. Also, real estate is often included with the sale of a business.

In addition, many business brokers become certified intermediaries with certifications such as a Certified Business Intermediary (CBI) or Merger & Acquisition Master Intermediary (M&AMI). These designations require many hours of coursework and continued education to maintain certification status.

**Minneapolis, MN**  
**(612) 455-0880**

**Saint Paul, MN**  
**(651) 484-2677**

**Milwaukee, WI**  
**(262) 901-0086**

**Chicago, IL**  
**(773) 243-1603**