

**WANT TO SELL
YOUR BUSINESS IN
THE NEXT 3 YEARS?
DO THESE 5 THINGS NOW**



WANT TO SELL YOUR COMPANY IN 2023? DO THESE 5 THINGS NOW

If you are considering selling your company in 2023, or even if you are a few years away from implementing your exit strategy, now is the time to start planning, obtaining an accurate valuation, and getting the company in shape to sell.

The fact of the matter is, most of us never really clearly define the specific outcome we want to achieve with our exit. But rest assured, the work you put in now will enable you to maximize the selling price of your business when the time comes.

With this in mind, here are five action items you should be doing over the next few months.

STEP 1 - START PLANNING NOW WITH YOUR ACCOUNTANT

You want to be first on their list of tax returns to be completed in 2023. Buyers and bankers prefer to see tax returns for the most recent year. They will not give full weight to internally generated P&Ls.

So, plan now, talk with your accountant, and get your returns finished early – don't get caught in the March/April crush with everyone else, and by all means, do not plan on filing an extension.



Also, please choose carefully before switching from accrual to cash method, or get a cash-to-accrual reconciliation or conversion.

Here's why: tax returns are the source of choice (as opposed to internal P&Ls), and the accrual method is the method of choice for buyers, bankers, and valuations, as this method provides a more accurate picture of the financials and profitability of a company.

So, if you are already using the cash method for your taxes or are going to switch, ask your accountant for a cash-to-accrual reconciliation or conversion to go along with your tax returns. Or, have them put the cash-to-accrual conversion right on the M-1.

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STEP 2 - DON'T GIVE UP \$2 AT CLOSING TO SAVE 30 CENTS TODAY

Buyers and bankers generally will not accept adding back any unverifiable, undocumented personal expenses to a company's cash flow calculation.

Certain types of personal expenses are expected and easily added back while other types of personal expenses are not easily added back and directly reduce the value of the company.



Here's the math: assume a 30% marginal tax rate and assume that buyers are willing to pay for a company an amount equal to \$2.85 for every \$1 of seller discretionary earnings.

For \$1 of personal expense that an owner runs through their company, they are saving 30 cents in taxes.

However, when they go to sell their companies, every \$1 of expenses that can't be added back, reduces their income and reduces seller's discretionary earnings by \$1, thus reducing the purchase price by a multiple of \$2.85.

Assuming a 30% tax rate on the sale (which is probably high), they are giving up after tax proceeds of \$2. So in one year, they are giving up \$2 to get 30 cents in return. Almost a 7:1 negative trade.

To prevent this, we recommend keeping personal expenses out of your books as part of your exit strategy.

STEP 3 - DON'T AGGRESSIVELY MANAGE YEAR-END TAXES

Planning for your exit is not the time to aggressively manage year-end taxes, particularly if you are simply accelerating expenses and deferring revenue recognition.

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In this situation, you are only saving the net present value of the interest income from a year's delay in paying the inevitable tax, but it could decrease your company's valuation and your gross proceeds substantially.

At this point of your exit strategy, your financials should reflect the fundamental earnings capacity of the business so that potential buyers can clearly see the cash flow and profitability opportunity in front of them.

STEP 4 - DON'T LET PPP AND ERTC CLOUD YOUR FINANCIALS

In the months leading up to your exit, don't let PPP and Employee Retention Tax Credits (ERTC) cloud the view of your financials. And, if you have not applied for PPP forgiveness yet, apply for forgiveness as soon as possible.

PPP loans and the ERTC saved many companies in the last two years, but make sure you are taking a clear view of your financials and recognize where these two items are showing up in your P&L.

As for PPP loans, there are still hurdles to be cleared to close your sale with a PPP Loan outstanding. The easier course is to get your application in and forgiven well before your closing date.



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STEP 5 - FOCUS ON REVENUE GROWTH AND PROFITABILITY

As you implement your exit strategy, continue to focus on revenue growth and bottom-line profitability. COVID-19's impact on 2020, 2021, and even lingering effects of supply chain issues and inflation on 2022, have been difficult for many businesses.

Positive trends show buyers that the company has a viable value proposition, is resilient, is competitive in its marketplace, and can generate the cash flow needed for the buyer to cover their debt service and earn a return on their investment.

While your business is for sale, the number one thing you can do as an owner to improve the outcome of your exit is to keep your staff and customers happy and keep your revenue and profit growing.

With a bit of planning, forethought, and discipline, your actions over the next few months will significantly improve the prospects of selling your company at the best price, successfully executing your exit strategy, and maximizing your net worth.

If you found this helpful, we would like to offer a helping hand to do the heavy lifting for you. Let's get started.

Give us a call today

252-377-4888

or reach out to Tully Ryan at

t.ryan@murphybusiness.com

Your confidentiality is guaranteed.

TULLY RYAN

MANAGING DIRECTOR

Tully Ryan, a recognized industry leader, serves as the firm's managing director. A Certified M&A Advisor and licensed real estate broker, Tully has over 30 years of experience leading companies in all facets of business including business development, go-to-market planning and execution, financial controls, capital raises, and acquisitions. Tully has also served on various boards including the East Carolina University Board of Visitors and the Carolina Virginia Business Brokers Board of Directors.



DENNIS BARBER III, PHD

SENIOR M&A ADVISOR

Dennis Barber III leads the firm's data analytics process that pairs our clients' businesses with the right strategic buyers, private equity groups, family offices, or high net worth individuals. A Galliard Institute Certified Family Business Advisor with over 15 years of experience in business and data analysis. Dennis holds a PhD and an MA, both in Economics from the University of New Mexico and a BS in Business Administration (Management) from East Carolina University.

JASON ROWE, PHD

SENIOR M&A ADVISOR

Jason Rowe has over 25 years of business-to-business sales and marketing experience. Jason specializes in the use of historical databases and predictive analytics to maximize business valuation across all industry sectors. He holds a PhD in Business Administration (Marketing) from the University of Kentucky and an MBA and BBA in Marketing, both from Marshall University.



WHO WE ARE



We are a skilled team of trusted and experienced M&A advisors specializing in lower-middle market companies ranging from \$5MM to \$50MM in annual revenue. Our primary objective is to help you determine an accurate business valuation and develop an exit strategy that matches your timeline and meets your financial expectations. Our dedicated team of advisors will handle the complexities and noise of searching for the right buyer and completing the transaction so that you can stay focused on running and growing your business.

Our client-centric approach and demonstrated results have made us the partner of choice for many great companies. Our goal is to maximize the value of your company and maximize cash to shareholders. When you choose to partner with us, you are opting for the full-service approach. Our clients enjoy:

**AN INITIAL DEEP-DIVE
CONSULTATION AND
BUSINESS VALUATION**

**OUR CONFIDENTIAL
MARKETING PROCESS
DESIGNED TO SELL
YOUR BUSINESS**

**A THOROUGH
SCREENING OF
PROSPECTIVE BUYERS**

**PROVEN SALES PROCESS
CONFIDENTIALLY,
DISCREETLY,
AND PROFITABLY**

**NEGOTIATING OFFERS
AND STRUCTURING
THE DEAL**

**EXPERTISE DURING
DUE DILIGENCE AND
CLOSING**

We have extensive real-world experience in business research and advanced analytics. We understand the importance of data, information, and action. This gives us a unique perspective on M&A deals and allows us to deliver similarly unique outcomes for you. We welcome the opportunity to discuss our process with you and share our blueprint for success.



OUR SERVICES



**BUSINESS
BROKERAGE**



**MERGERS &
ACQUISITIONS**



**BUSINESS
VALUATION**

OUR SUCCESS

96%

BUSINESSES WE
SELL TRANSACT FOR
AT LEAST 96% OF
THE LISTED PRICE,
ON AVERAGE

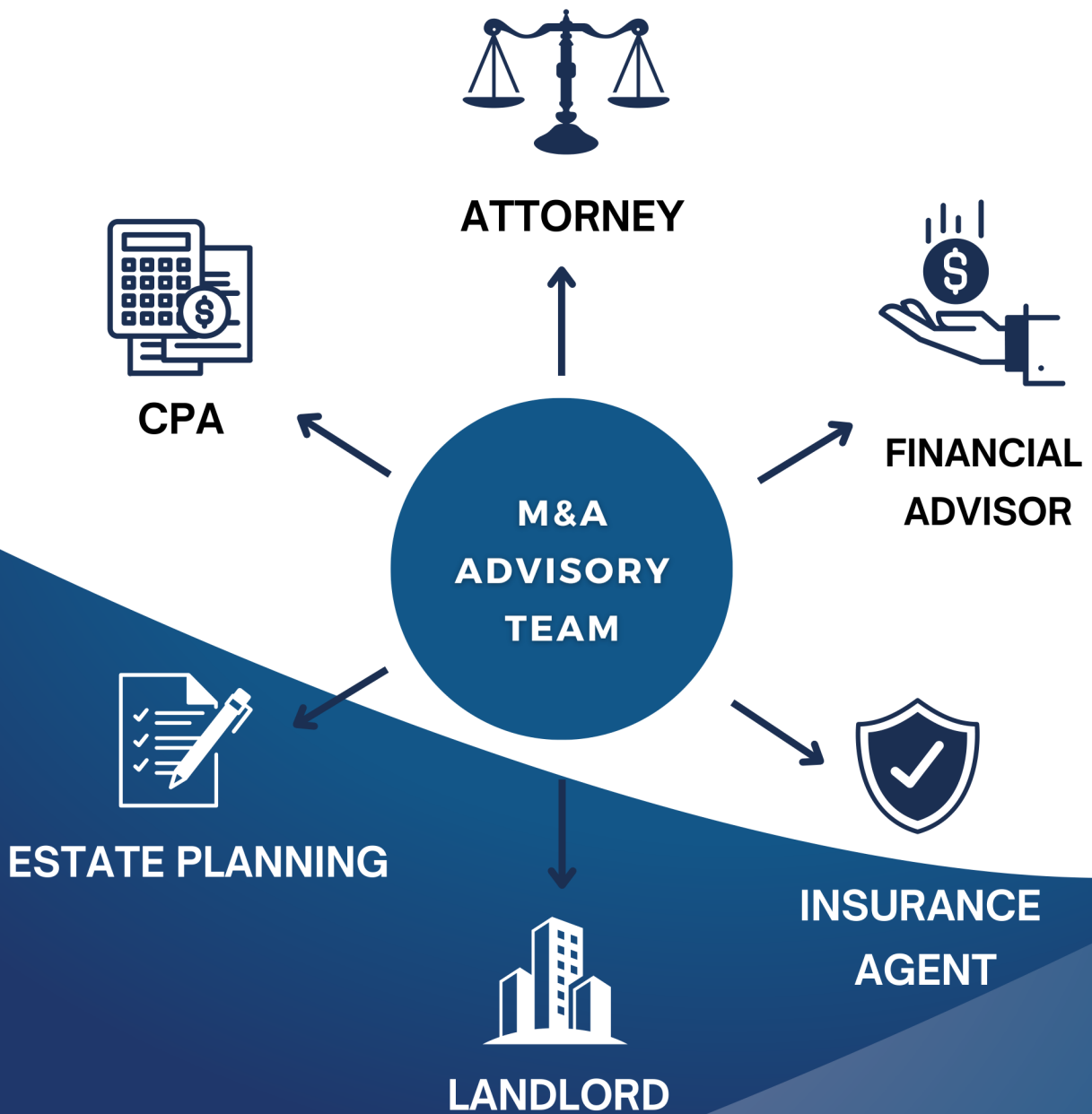
\$419MM

TOTAL TRANSACTION
VOLUME NATIONWIDE
IN 2022

140+

OVER 140 OFFICES
ACROSS THE U.S. HELPING
TO CONNECT YOUR
BUSINESS WITH BUYERS

HOW WE MANAGE THE DEAL TEAM



WE BRING BUYERS TO THE TABLE



Our network of buyers share our passion for building strong relationships and thinking long-term when it comes to mergers and acquisitions. We have a proven track record of working with many types of buyers across multiple industries.

STRATEGIC BUYERS

**PRIVATE EQUITY
GROUPS**

**HIGH NET
WORTH INDIVIDUALS**

FAMILY OFFICES

We leverage our buyer network to provide our sell-side clients with rich opportunities and to entice prospective buyers to bring in compelling offers. Our buyers are interested in acquiring great companies.



4 STEPS TO QUALIFIED OFFERS

BUSINESS VALUATION



OFFERING PACKAGE



MARKETING PLAN



SCREEN PROSPECTS

EVALUATE OFFERS

CLIENT TESTIMONIALS

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Tully Ryan and the team at Murphy Business Sales have a deep understanding of our market, the competitive landscape and important trends. Their tailored approach resulted in a terrific outcome for the acquisition of our (business) as well as our employees who are excited about the next phase of the company. Murphy Business' valuable counsel, experience, and diligent process management were all critical in achieving a great result.

- **George Leviton**

COO OF TWIN TOWERS TRADING SITE MANAGEMENT LLC

CLIENT TESTIMONIALS

”

Tully, and the entire Murphy Business Team, streamlined our acquisition management processes through seamless communication and collaboration between Monro and Murphy. They Identified existing automotive repair and tire chains for acquisitions, assisted with due diligence and negotiating the purchase, directed real estate lease related activities, and managed the process through closing — all in coordination with our Legal and Finance team. Tully and his team got things done in an expeditious and efficient manor, adding value to our M&A group by allowing us to focus on priority issues and close more transactions.

- Paul Barrata

VICE PRESIDENT OF REAL ESTATE MONRO, INC.

CLIENT TESTIMONIALS

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We were looking for a team that had experience with middle market acquisitions. Our Wells Fargo Wealth Advisor referred us to Ron Buck and Tully Ryan with Murphy Business Sales, and we got exactly what we were looking for. Ron, Tully, and the entire Murphy team not only met, but far surpassed our expectations. We were extremely satisfied with their expertise, thoroughness, and level-headed navigation through the inevitable noise of the transaction. Not to mention the price, terms, strength of the buyer, and the time it took to complete the transaction. We really appreciate all that they did for us, from initial engagement to closing (and even post-closing), and would highly recommend them to other owners interested in selling their business.

- **Mark Edelman and Ken McMullen**

CO-OWNERS, MARK-AIR, INC

CLIENT TESTIMONIALS



Overwhelmingly positive experience with Murphy Business
I tried selling my business for 3 years with a different business broker and within 167 days after listing, Murphy Business found a buyer and closed the sale for 100% of our asking price. I have had an overwhelmingly positive experience with the Murphy Business Services team and Tully Ryan. I have found Tully to be honest, knowledgeable, and attentive to the needs of both buyer and seller.

By setting realistic expectations and using his expertise and past experiences, Tully brings incredible value to both sides of the transaction, facilitating successful transactions which maximize value for sellers, while simultaneously setting up a buyer for long-term success. I would not hesitate in recommending him to anyone who is seriously considering selling their business.

- **Chris Carpenter**

PRESIDENT

CONTACT US



TULLY RYAN
MANAGING DIRECTOR



DENNIS BARBER III, PHD
SENIOR M&A ADVISOR



JASON ROWE, PHD
SENIOR M&A ADVISOR