

PURCHASE/SALE OF A BUSINESS

Buying or selling a business is a complex transaction, and having a business advisor and CPA at your side can help ensure your interests are protected and your financial goals are met. There are many considerations for both buyers and sellers, including entity selection, valuing the business, due diligence requirements, and transaction structure. Recent court rulings and legislative changes have significantly impacted the area of buying or selling a business making it more important than ever to seek expert guidance

3rd Party Transactions

Regardless of whether the sale or purchase involves a 3rd party or an insider, we have the expertise and resources to support you in every step of the transaction.

The Seller: For the seller, we can assist in identifying weaknesses in the organization that the buyer could use to drive down the value. We can also assist in developing a mitigation plan to strengthen or eliminate those weaknesses. Once those issues are addressed, we can assist both with the business valuation and in positioning your organization to maximize value as you take your business to the market.

The Buyer: For the buyer we can assist in developing the investment criteria that will be crucial in determining the viability of a possible acquisition. Critical items to consider include revenue and EBITDA projections, future cash flow, industry trends & outlook and location of the target business. After the target is identified we can assist in arranging financing, drafting the letter of intent and in performing due diligence to validate the information provided by the seller. We can also advise in formulating employment agreements to secure key employees whose continued presence will be critical to the continued success of the target.





Insider Transaction

If the transaction happens between people already associated with the organization, there are different buyer/seller considerations.

The Seller: Transactions between related parties can often times be more stressful than those with a 3rd party, especially if the related party is a family member. For the seller, we can help create a path for the key employee or family member to be able to afford the transaction, and do it the most tax efficient way possible, while reducing risk to you. If you are not yet ready to sell or you don't have an exit strategy, we can assist in succession planning so that when the time comes you can receive maximum value for the business you have built.

The Buyer: As the buyer of a business with which you are already intimately familiar, you know the strengths and weaknesses of the organization and how it operates. In addition to the traditional areas of financial forecasting, budgeting and cash flow and debt management, we offer strategic planning services that will help you enhance the strengths of the organization while eliminating or mitigating the weaknesses. We also offer Kolbe assessments and Lean Six Sigma process consulting that will help your team work better and more efficiently.

Your Goals

Whether you are the buyer or seller, as your CPA and business advisor, we will help you navigate the transaction while also considering everything from your tax liability to your personal wealth and retirement/estate planning goals.

Keeping these in mind, we can help structure the sale/purchase in a way that best benefits your overall goals.



Complications with Buying & Selling

The structure of the transaction will be complicated because the buyer and seller often have different goals. Consider the following items:

A sale/purchase of business assets vs. a sale/purchase of stock/ownership interest will result in vastly different outcomes. A seller's primary goal is often to sell the stock / ownership interest to achieve the following:

- Maximize the sale price.
- Minimize the tax on any realized gain by having the transaction taxed fully at capital gains rates.
- Divest yourself of the organization's liabilities, both known and unknown, that remain with the business in a stock sale.

On the other hand, a buyer's primary goal is often to buy the assets instead of the stock/ownership interest because of these reasons:

- Acquiring assets protects the buyer from assuming the seller's liabilities (especially contingent or unknown liabilities) which is what happens when stock is purchased.
- An asset purchase also allows the buyer to acquire only the assets it wants, but this may not be beneficial to the seller.
- An asset purchase allows the purchaser to allocate the purchase price to the acquired assets which will often result in more favorable depreciation deductions in the short term.

Buying or selling a business is a very complex and involved process and one that you should not take on alone. At Avizo, we realize there is much more to consider than just the financial and tax implications of your transaction. As a result, we partner with you in developing a comprehensive plan to address all areas of the process from start to finish.

As your trusted advisor, your goals and dreams are our goals dreams. We look forward to helping you achieve each and every one.