**TRUE/FALSE QUIZ—**How much do you know about Buying and Selling a Company?

| | True | False |
|---|---|---|
| 1) The best way to value a business is using a multiple.<br>*Wait, what's a multiple again? | | |
| 2) Multiples are usually figured before taxes. | | |
| 3) Once the deal is agreed, it's all administrative from there. | | |
| 4) If a buyer says "nothing will change" after the deal is finished, you should believe him. | | |
| 5) We don't have to worry about selling the business until 6-12 months before we are ready. | | |
| 6) The buyer won't need to speak to my key people before the closing. | | |
| 7) The balance sheet won't matter in calculating the price. | | |
| 8) Selling your business to a third party is the easiest way to transition ownership. | | |
| 9) The customers and service offerings we have *will* affect the price. | | |
| 10) All business advisors are the same. | | |

*** Wait, what's a multiple again**? Very simply, a **multiple** is a quick rule of thumb brokers use to arrive at a value that is based on either the SDE (Seller's Discretionary Earnings) or EBITDA (Earnings before Income, Taxes, Depreciation and Amortization)—both are rough equivalents of the business' actual cash flow.

**ANSWERS**

1) FALSE.

The best way to value a business will depend on the situation. A company that is a going concern with an attractive portfolio of commercial maintenance clients will be valued using a different method than a company that is ready to be closed and liquidated.

2) TRUE.

But this is an over-simplification. The real answer whenever the word taxes comes up is to make sure you have consulted with a TAX professional, including an attorney and a CPA.

3) FALSE.

Adjustments to the purchase price and assumptions about what is being purchased and which party will assume which risks can make a significant difference in money in your pocket. Even more important, a deal can fail in this phase. This is also a great opportunity for buyers to start the integration process, leading to a successful transaction.

4) FALSE.

One of the biggest mistakes a buyer can make (and a seller can buy in to) is that "nothing will change". If nothing will change, why would the buyer make the deal?

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5) FALSE.
The more time and attention spent on getting the business in good shape prior to the time the company is put up for sale, the better. And why not? Strategies that will get the company in good shape are the same that will result in a profitable, well-run business.

6) FALSE.
Most buyers will insist on meeting senior team members to make sure that the "outside" view matches what's going on "inside". They will assess the business' bench strength to get additional input about clients, processes and procedures. It is a good idea to prep those team members beforehand.

7) FALSE.
Of course, this can't be true. The balance sheet is the point in time view of the company's financials. The assets and liabilities to be assumed will be spelled out in the purchase agreement.

8) FALSE.
Of course, this is another answer where "it depends" is the wisest response. In some cases, a buyer's highest price will come from a third party with a strategic reason for acquiring the business. Prices tend to increase when multiple buyers are competing to acquire a prime target. Sometimes an attractive deal can be put together with an earn-out where the buyer and seller know each other well.

9) TRUE.
By now, most sellers know that tremendous interest in the commercial maintenance landscaping firms has driven prices up, primarily due to the recurring revenue. Design/Build firms have a lower price since they must sell new accounts every year. They will also tend to be depressed during times of recession.

10) FALSE.
Look for an experienced advisor that you trust to tell you the truth (even if it's a challenge), that you like and work well with. For best results, it's a good idea to work with knowledgeable landscape industry advisors who have great contacts.

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