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Buying an existing company gives a 'running start' for many entrepreneurs

by Lori McGinnis Black

Many people going into business for themselves today do so by buying an already established business.

About 90 percent of people who call Sunbelt Business Advisors to buy an existing business end up buying a business other than what they were planning, said Frank Haverkamp, owner.

Buying an existing business allows an owner to devote more time to growing it rather than getting it established, said John Blazek, president of Corporate Ventures.



Blazek

When looking at buying an existing business, determine why the current owner is selling, said Bruce Smith, licensed business broker with P.J. Morgan Business Group.

Sunbelt has closed sales on 300 businesses over 12 years, Haverkamp said. Haverkamp refers to his business as a matchmaker and notes that there are more good buyers for businesses than people selling them.

"We help buyers and sellers find the right business by selling lifestyle," he said.

About 90 percent of those calling Sunbelt who are interested in a particular business learn that it is not a good fit and end up buying a different business, he said. They may find that the business they planned to buy didn't give them the lifestyle they want.

The main reason people buy existing businesses is because they want existing business to start making money from the first day. The uncertainty of a startup business generally will not result in that, Haverkamp said.

"They know the phone is going to ring tomorrow morning," he said, adding, "We sell history, not hope," he said.

Buying an existing business can be an excellent opportunity, Blazek said.

"You can devote your time to growing the business and increasing its profitability rather than getting it established," he said. "It enables you to enter an industry you have experience in and see upside potential."

The main advantages include the ability of the business owner to "hit the ground run-

ning" with an established customer base, facilities, employees and systems in place. Disadvantages include possibly undoing some aspects of the operation that are not positive for the future of the business, he said.

Factors to consider when buying an



Smith

existing business include knowing its fair valuation, whether to keep key employees, whether there are adequate funds to grow the business, whether it is in a growth industry, and whether the new owner has a skill set that will provide synergy to what already exists, Blazek said.

Many key factors need to be considered when buying an existing business, Smith said. These factors include determining why the current owners are selling, knowing whether adequate funds are available to grow the business, analyzing the current assets and liabilities, determining staffing needs, knowing the competition, and understanding the value of a reputation.

A new owner needs to be sure the business has enough cash flow to cover current obligations, service new debt and still leave enough for profit, Blazek said.

The main reason to purchase an existing business is to reduce uncertainties, Smith said. Existing systems are in place, experienced employees are on board and financing options are good, he said.

"In other words, you are dealing with facts, not theories," he said. "The ground work has already been done for you."

A new owner may have to honor or renegotiate any existing contracts, he said. If the business has been neglected, it will take time and money to make it successful.



Sunbelt Business Advisors' Mary Carlsen, executive assistant, and owner Frank Haverkamp.