Joseph Sameh didn’t set out to sell his medical service companies. But then the phone rang. Photo: John R. Boehm

In July 2006, Chicago entrepreneur Joseph Sameh got an unexpected call.

American Medical Alert Corp., a New York company that sells medical alert devices, wanted to buy his two businesses: American MediConnect Inc., an answering service for medical practices and hospitals, and PhoneScreen Inc., a patient screening service for clinical studies run by pharmaceutical companies.

"I wasn’t looking to sell, because my companies were growing,” says Mr. Sameh, 56, who started MediConnect in 1985 and PhoneScreen in 1991.

Still, he liked that AMAC would retain his management team and saw he could expand his product line by offering customers products from AMAC. So he agreed to sell. When the deal closed three months later, Mr. Sameh received more than $1 million, plus a promise of additional payments for three years based on the companies’ future performance.

(cont.)
His experience makes selling out sound easy, but it's not. Even Mr. Sameh found it more tedious than he expected. "There were days when I woke up and said, 'What document do I need to find from 1988?'" he says. "The amount of paperwork was worse than what it takes to buy a house."

Statistics show that more people are doing it. In the past five years, sales of private companies with values up to $200 million have risen 43% nationally. In Illinois, the number of deals jumped 37%. And those figures are likely understated, experts say, because most private companies change hands without any public record of the sale.

Here are six things you can do to make the process less stressful:

1. **Get your business in order.**
   If you don't have a buyer lined up, it can take up to three years to close a deal. That starts with a year of getting your books in order, including collecting income statements and tax returns for the past three to five years, a detailed customer list, neat employee files, inventory that's organized and lease agreements if you're renting property.

   "You should be able to access this information quickly," says Steven Rogers, a professor at Northwestern University's Kellogg School of Management. "Otherwise, it sends up a red flag to the buyer, extends the time it can take to sell the business and can result in getting a lower price."

   Once your files are in order, it usually takes another six to 18 months to find a buyer and finalize the transaction.

2. **Set the price.**
   Most sellers get emotional about putting a value on their companies and overshoot the market. To avoid this mistake, use the valuation model common to your industry, such as a multiple of revenue or of profit.

   Fast-food companies, for example, are often valued at 0.8 to 1.4 times revenue, whereas software companies are valued at 6 to 12 times profit. Other valuation models are based on a multiple of cash flow (used in almost all industries) or asset value (used for underperforming companies that have tangible assets like equipment, furniture and real estate).

   "A good seller will use two models and pick the one that works in his favor," Mr. Rogers says. "The buyer will ask how you came up with the price, and you want to be able to defend it."

3. **Hire experts.**
   No matter how smart you are, you're going to need professional help to navigate the sales process.

   (cont.)
The three experts to hire: a business broker or investment banker to help you set the price, market your company and advise you on whether an offer is fair; an accountant to verify the financial statements and an attorney to negotiate terms and review the sales agreement.

"It will be worth paying their fees to make sure the buyer doesn't put terms in the contract that may come back to haunt you," says Ellen Rudnick, a professor at the University of Chicago Graduate School of Business.

4 Target buyers.
There are two types of buyers: strategic and financial. A strategic buyer is a direct competitor; a financial buyer is someone who doesn't own a company but wants to, or may acquire one as an investment.

"It's always better to find a strategic buyer," Ms. Rudnick says. "A strategic buyer can pay a higher price, because he'll be able to combine departments and get rid of a lot of overhead. It's unlikely a financial buyer would have the same cost savings, so he'd be likely to pay less for the business."

5 Use the Internet.
In the past five years, Web sites like BizBuySell, BusinessesForSale and BrokerNet have emerged as a great marketing tool.

"How many people read the back page of the Sunday sports section of the Tribune, where businesses for sale are listed, compared with how many people are on the Internet every day?" says Domenic Rinaldi, managing partner of Sunbelt Business Brokers in Chicago.

When you advertise online, potential buyers can do key-word searches to identify businesses for sale by location, industry and revenue, among other criteria. That increases your chances of getting discovered by the right one.

6 Select the right buyer.
Your highest bidder may want you to stick around for a few years to ensure the transition is smooth. But if you dream of retiring in Florida, that's not the right buyer for you. Ditto if you'd like to stay on, but the highest bidder wants to show you the door.

So be clear with yourself and others about why you're selling the business, whether it's to retire, start over in a new industry or take the company to a new level with the resources of a bigger owner. Those goals should be utmost in your mind when you're weighing offers.

"It's not just about looking for the best price, it's about looking for the best fit," Ms. Rudnick says.

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