



Let's face it: When you own—and possibly have created—your own collections agency, it becomes a part of your family. You have built it into the company it is today. You know every employee by name, and many of them you hired personally. You call every shot, and the meetings and business run on *your* schedule. It's your baby!

However, when a prospective buyer comes knocking at your door, you decide to sell to flesh out your financial portfolio or because some life event has happened, such as an illness, that prompts you to put your company on the market. At this point, you probably are not going to be prepared to sell or have the expertise to complete the deal yourself ... you've been too busy running a business to know how to sell it.

What do you do? Listen to people who know—experts who help sell companies or those who have sat in your seat as an owner and have sold their own agency.

The first step is to determine *if* you want to sell your business, says Charles “Chuck” Bertrand, a principal in Houston, Texas-based Marion Financial Corp., a merger and acquisition company. Bertrand, who sold his 28-year-old Houston-based agency in 1996, says you need to be clear about your goals. Do you want to stay on as an officer in the company? How important is it that your employees are protected? Do you just want to make as much money as possible? All of these decisions will be key to how your company is positioned. “Owners need to ask: If I sell, what will I do next?” says Chuck.

If the answer is “yes” to selling, own-

ers should know this is a relatively good time to find buyers, he says. The market is off about 10 to 15 percent from its peak in 2000, but there are still plenty of buyers—either big collections agencies or private equity funds—that are looking for acquisitions, explains Chuck, a former ACA International president.

Hiring an Advisor

Next, you'll want to consider hiring

an advisor who will help you sell your agency. The advisors know how to pull together the package of financials and other details. Advisors also know how much your business is worth on the market, and can negotiate in a more objective manner as several companies bid on your agency. You'll also need additional accounting help to pull together all the financials and a lawyer who knows the legal elements of selling an agency. Cost estimates of the advisor, lawyer and accountants range from 6 to 7 percent for agencies worth \$5 million to \$25 million, and 2 to 3 percent for businesses worth more than \$25 million, says Thomas M. Edens, CPA, and founder of Marion Financial.



Thomas M. Edens, CPA

These professionals can make all the difference in the selling price if Kathleen “Kathy” Balus' experience with

6 Steps to Selling Your Agency

Once a decision is made to sell—and whether you have an advisor to help—there are six key steps to selling your business, say Chuck Bertrand of Marion Financial and Nick DiGiovanni Jr., former president of ACA International and executive vice president of Chicago-based Revenue Cycle Solutions:

- 1. Prepare the company for sale.** Ensure your financials are in order and be free of litigation with clients and employees. “Buyers need to feel confident with the numbers,” Chuck explains. “You should start preparing at least six months to a year before a potential sale.”
- 2. Determine the value of your company.** Your advisor can help you with this, or you can hire a professional appraiser.
- 3. Prepare a marketing plan.** You will want to prepare a memorandum that outlines the selling points about your agency. It will detail everything from past financials and marketing niches to the largest clients and the economics of your community. Also, you'll want to talk about your employees and who will run the company. This could be yourself if you stay, or it could be someone else.
- 4. Find the buyers.** Here is where the financial advisor comes in handy. The advisors keep lists of potential buyers who've contacted them. Once the marketing plan is done, a general note, called a tombstone, is sent out with information to a list of potential buyers maintained by the advisor. It is kept vague, listing information such as regional location, company size and niches handled. Buyers who are interested then sign a confidentiality agreement and receive the marketing memorandum with the specific details about the agency.
- 5. Negotiate the sale.** You, or the advisor, negotiates the price and details with the buyer. This will include not only the selling price, but also details about what happens to employees, non-compete clauses for you if you're leaving the company, buyer visits to the property and any additional information the seller needs to make a decision. A letter of intent with the terms sheet is then given to the buyers. More negotiations are done, one buyer is chosen and due diligence begins.
- 6. Close the deal.** In due diligence, the nitty-gritty of the deal is worked out. This includes everything down to when and where the final deal will be signed.

Marion Financial is any indication. She hired the company to help her prepare for the possible sale of Pioneer Credit Recovery, Inc. She started the agency in 1980 in the back room of a lawyer's office as she graduated from college. By hiring Tom Edens of Marion Financial, she says he helped drive up the value of her company located in Arcade, N.Y. by 50 to 60 percent. "I just wouldn't have known what a fair price for my company would have been," Kathy says. "He was an objective negotiator."

Kathy ended up selling as a result of her own success. In the beginning, her business was two steps forward, three steps back for the first 16 years, she says. She then won a key contract with the Department of Education, collecting on student loans, and her business boomed with other contracts to follow as the company grew to more than 300 employees by 2002. That's the year student loan giant Sallie Mae bought Pioneer Credit. Kathy was prepared because others had also inquired about buying her company, which "absolutely was not for sale" at the time.

"About six months before Sallie Mae called, I was approached by a lot of people," she says. "I found that I was spending too much time weeding out these calls. I started to prepare for the future by contacting Tom Edens. I am not an expert in acquisitions or selling



Kathy Balus

my business. It was one of the smartest things I've ever done."

However, don't worry if you don't have all your paperwork in order to sell,



Mike Ginsberg

says Mike Ginsberg, president and CEO of Kaulkin Ginsberg Co. "Many businesses sell that don't have their financial house in order," he says. When Mike works with clients, he says having extensive conversations about value is important. "Like beauty, it's really in the eye of the beholder," he says. "If we do our job right, we create a marketplace for the business."

Mike also stresses the importance of retaining key personnel as part of the value of the company. That is not only so a buyer feels comfortable that the company will continue to be run by qualified people, but also so that the seller's clients will continue with the company through acquisition, he says.

"The true value of the business goes home in the elevator each and every night," he says.

Expect Changes

Throughout the sale, you should be aware of one thing: No matter what anyone tells you, there will be changes

in your company once you sell it. For Kathy Balus, who remains as Pioneer Credits' CEO, this meant changing leadership styles from an entrepreneur to corporate manager. She has had to fit *into* a company structure, rather than creating her own as an owner. She says that has been good for her to grow in a new way and she knows that, unlike many other agencies, her situation is lucky because there were no layoffs when ownership changed. In fact, the company size has about doubled.

That is not always the case, says Nick DiGiovanni, who sold his collections agency in the mid-'90s and stayed on to help run it. He saw the company he sold to gobbled up by a bigger one, and in the process, administrative staff were

let go. He says that executives often have contracts, but the administrative staff's work is often folded into the larger corporate work, eliminating

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the need for the local help.

"It's most difficult to sell and stay the way I did," he says. "It is like selling your house and continuing to live there. If you are prepared to walk away, you are leaving employees and clients, not knowing what will happen to these relationships."

But sometimes those separations are in the best interest of everyone. Only you will know if it's the right time to sell your baby.