

Get the Most Money for Your Restaurant Business

Congratulations! You have spent years building a great restaurant business, and it is a success. Chances are at some point you may want to sell and cash in on what you have achieved.

How then do you make sure you get the most for your restaurant business? The key is to have a good exit strategy, and to put it in place well before you want to sell.

Know What Buyers Want

Knowing what buyers are looking for can help you plan and prepare. Some of the big things buyers want include:

1. A sustainable business: If your most loyal guests visit your restaurant because of you, then “you are the business.” Make sure that your restaurant does well even when you are not there.
2. A strong and consistent profit model: If your profits are not on paper a buyer will not pay for them. Proven and consistent sales and cash flow make your restaurant attractive to a buyer.
3. “No fuzz on the deal”: Things like a short lease, rent escalations, promised profits, run down facilities, inconsistent earnings, or future local construction add risk and can really hurt the price you get for your restaurant

Taxes Matter

Taxes matter to both the buyer and the seller. At the end of the day you will want to keep as much of the value of your business as possible.

“Advice on a well-planned estate and tax structure requires arm’s length experience and professional assistance at the earliest possible date; at least two years in advance,” says Vincent Zaffino, CPA. “Even at the last moment, there are some simple things that may be done before you sell your business to make sure you will be able to do it in a tax-effective way.”

Make a Plan

Good planning and prospecting attractive buyers can sometimes get you a premium price for your restaurant. Getting a premium is all about new opportunities a buyer can bring to the table that you cannot do alone.

Buyers may pay you more than “the going rate” if they can add value with:

1. **Unit growth:** A buyer may be able to take your restaurant business to another level by investing their capital in new locations.
2. **Franchising:** A buyer may see an opportunity to franchise your restaurant business to grow it.
3. **Buying power:** A buyer may be able to combine your purchases with theirs to improve margins in your location(s).

Michelle Middlemore of MNP’s Transaction Advisory Group sums up the need for good planning with some cold hard facts: “A survey of more than 100 Canadian business owners who sold their businesses said they had made some key mistakes and would do things differently if they had a chance to sell their company again,” says Middlemore.

Some of the most common mistakes according are:

1. **Failing to plan in advance:** Preparing an exit strategy in advance gives you the opportunity to fix any barriers to selling your restaurant.
2. **Failing to find multiple buyers:** Competition provides negotiating power both on price and terms.
3. **Not understanding what it is worth:** Some buyers overvalue their business, however, most undervalue it leaving money on the table.
4. **Losing focus on the business:** Buyers often lose focus on the business while trying to sell on their own.

Many restaurant operators did not have a plan laid out on paper when they opened their first restaurant. They relied on their business know-how, hard work and their experience to succeed. Their plan was, for the most part, in their heads.

Get Good Advice

When it comes time for these same successful operators to sell their businesses they find they have little or no experience to draw on. They also often find they and their families have plenty of emotions that can get in the way.

Even more reasons to have a clearly laid-out exit strategy and make the most out of their restaurant success