

So You Want to Sell Your Restaurant?

by Michael Birchenall

Last year's Summer issue brought together the Buyers, the Sellers and the Deal Makers. The emphasis was on the franchise market and Sellers were holding a concept ready to grow. Now, we are taking a look at the situation that is on the opposite end of the spectrum – selling your restaurant.

I met with our resident experts on deal making from Restaurant Brokers and Developers Joe Spinelli, Jim McGinnis and Mike Meliker. Joe Spinelli laid out the scenario, "There are two sellers: those who need to sell and those who want to sell." The decision to sell can come suddenly with a lifestyle change, illness or change in financial standing. The reality is most restaurateurs do not plan an exit strategy once they fall into the routine of operating a business.

Mike Meliker says once the decision has been made the seller has to get paperwork in line to start the process. "Before anything can move forward, we have to see the financials and tax filings for three years," explains Meliker. One of the most important elements in making the sale becomes the lease. "We need to know how many years are left on the lease," states Meliker. Can the lease be



assigned? Is the lease favorable for the potential buyer? You can't sell if the lease can't be transferred. The assets have to be determined so the price can set.

"Once the details of the lease are revealed, we also need to see the cash flow for the operation," says Jim McGinnis. And then the process of setting the price takes place. "You have to realize restaurant deals are emotional and unlike the sale of a house, the owner and seller must meet to form a trust that will help to seal the deal."

Factors that can determine the price of a restaurant business include the "goodwill" – often attached to what you have built in the community. Once the inspection takes place and the listing agreement is drawn up – the information worksheet details the parts and intricacies of the business. Matters included would be factors like trash collection and utilities.

A non-disclosure agreement protects the owner of a business so that a restaurant can be run without causing a disruption and a deterioration of staff morale and the loss of its customer base. Confidentiality is a key to the success of a sale. The restaurant broker builds a reputation with integrity good business practices.

Spinelli smiled as he described the easy part of the deal ... the letter of intent. The offer is made, the deposit is determined and the closing is about to be set in motion. "The hard part is going to settlement," says Spinelli. Meliker and McGinnis quickly agreed. The deal can fall apart for any number of reasons ... much of it determined by the trust between the buyer and seller. With a settlement lawyer, details such as the transfer of inventory become a part of the closing. Does the buyer pay for the inventory? What does the seller take and/or leave behind?

Every deal is capable of falling apart until the last document is signed and the monies are distributed by the settlement attorney.

WELCOME

Randy Morris

Randy Morris returns to the sales department of Metropolitan after leaving for the retail world twelve years ago. Randy recently sold his successful business in Baltimore and, as fate would have it, a rare opening in sales came about at Metro! With 19 productive years of service in his first round at Metro, Randy now continues his goal of continued sales increases and bringing in new customers. Randy is a fine golfer who spent two years on the PGA Tour. Randy lives in



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