



10 Steps To Selling
Your **Amazon Business**
(Or Any Online Business)

by **Joe Valley**

Quiet Light Business Broker and Advisor

INTRODUCTION

If you are reading this, it means you have launched your own successful Amazon business and are now considering selling it. Or at the very least, you want to understand the value of what you have built.

Perhaps you've even taken your sales beyond Amazon, which likely reduces a buyer's risk and improves the overall value of your business.

What you did was not easy, even though you may have made

it look that way. Your hard work, knowledge and experience, combined with a bit of luck, is something to be very proud of, regardless of how big your business is.

Before we even begin to start thinking about selling your Amazon business, let's answer the question that is most often asked by

Amazon Seller Account owners.

“Can I sell my Amazon business? I've always been told I cannot.”

The answer is **yes**, you can sell your Amazon Seller Account. We've seen it done many times over the

last several years without any loss of reviews or ratings.

We recently contacted Amazon to specifically ask about account transfers, and in reply, we got a resounding “yes”, along with instructions on how to do it.

————— “ —————
Let's start with a common question:

“Can I sell my Amazon business? I've always been told I cannot”

The answer is yes, you can sell your Amazon Business.

————— ” —————

The letter you see below took four phone calls to receive. We now request that every Amazon business get the same letter from Seller Support. Having this letter instills confidence in buyers who have always heard an account cannot be transferred without losing all the rankings and ratings.



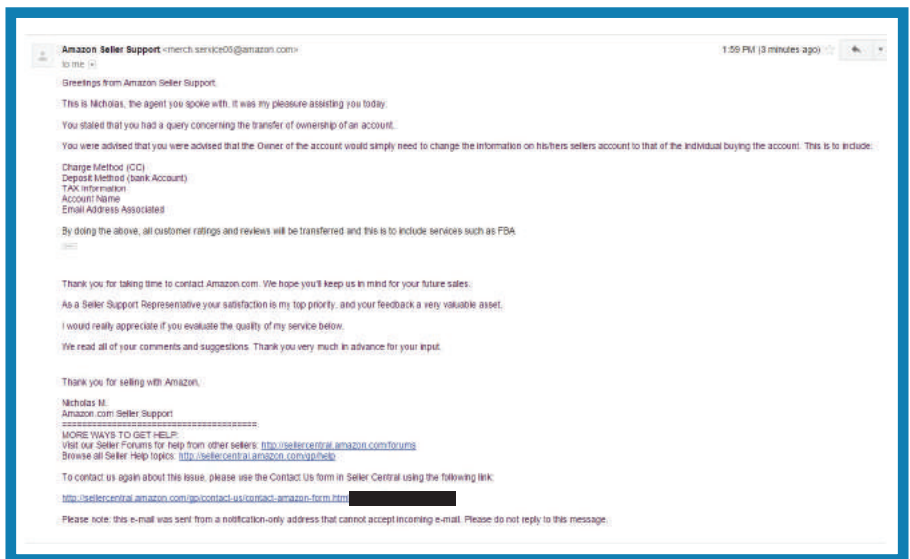
In addition, getting the all-clear from Amazon keeps the entire transaction transparent which helps protect both the buyer and the seller after the sale. In a transaction of this nature, transparency is an absolute must.

As an Amazon Store owner you will know that you may get a different response to the same question when asking different Seller Support Representatives. In our experience, Amazon does support the transfer of accounts, but it is not widely advertised. Many support representatives will not know this is possible, but if you are

persistent, you will find someone who will give you the relevant instructions.

The email below is from an Amazon Seller Support Representative. It clearly tells an account holder how to transfer the ownership of a Seller Account. It also states **“By doing this, all customer reviews and ratings will be transferred...”**

Each Amazon Store owner has to reach out to Seller Support themselves to get this letter. According to Seller Support, they cannot send it to any email address except the one associated





with the account.

To date, calling Seller Support and asking for the letter has had no negative impact on any of our clients. When you look at it logically, it makes sense for Amazon to allow the transfer of Seller Accounts. Their objective is to make money for their shareholders. When a new owner takes over the Seller Account, their objective is to grow the business - which benefits Amazon Shareholders.

We have been told by former Amazon executives the only reason Amazon hints at not allowing the transfer of Seller Accounts is to prohibit those who have already been banned for poor practices, or not following the proper guidelines from getting a new account. They seem to want to reserve the right to say "no" to these individuals, which is completely understandable. This however should not impact a properly-run Amazon Seller Account transfer in any way.

With that said, getting the letter from Seller Support stating clearly that you can transfer your account, and its ratings and reviews, is a "must have" prior to selling.

We recently sold a 10 year old

Amazon business for over 1.5 million, that had an elevated account status, one where they had an appointed Amazon representative that when to bat for them if and when needed help. In the sale of this Amazon business the representative contacted Amazon legal and got an official transfer letter approving the transfer. One of the first things they wanted was the name of the buyer to ensure they had not been previously banned as an Amazon seller. This is yet more proof that Amazon will allow the transfer of a seller accounts, it just take effort to get it done.

The excerpt below includes yet another approach to selling your Amazon business. It is from James Thompson, a former Amazon exectuvie that now consults ecommerce and Amazon business owners through his business, PracticalEcommerce.com.

"The most important step of the process is to understand Amazon's policy, which states, "If the ownership of a business changes for any reason, the new owner needs to establish a new seller account." Yet the policy also states, "Seller accounts generally are not transferable."



Note the word “generally.” It is key. It leaves a lot of maneuvering room for any merchant interested in selling his Amazon-based business. During my tenure at Amazon and afterwards, I have seen many Amazon merchants successfully transfer their seller accounts after bringing on another business partner, and eventually selling out their remaining share to that other business partner.

In fact, I have seen this process occur in less than four weeks, when a seller sells her account to

another unrelated individual that wants to be running an Amazon business.

On the one hand, Amazon understands that an existing seller may have built up extensive product reviews and customer feedback that is valuable to a new seller that wants to get onto the Amazon marketplace without having to spend the time — and without having to develop the processes and expertise — to replicate this sort of input from customers.”

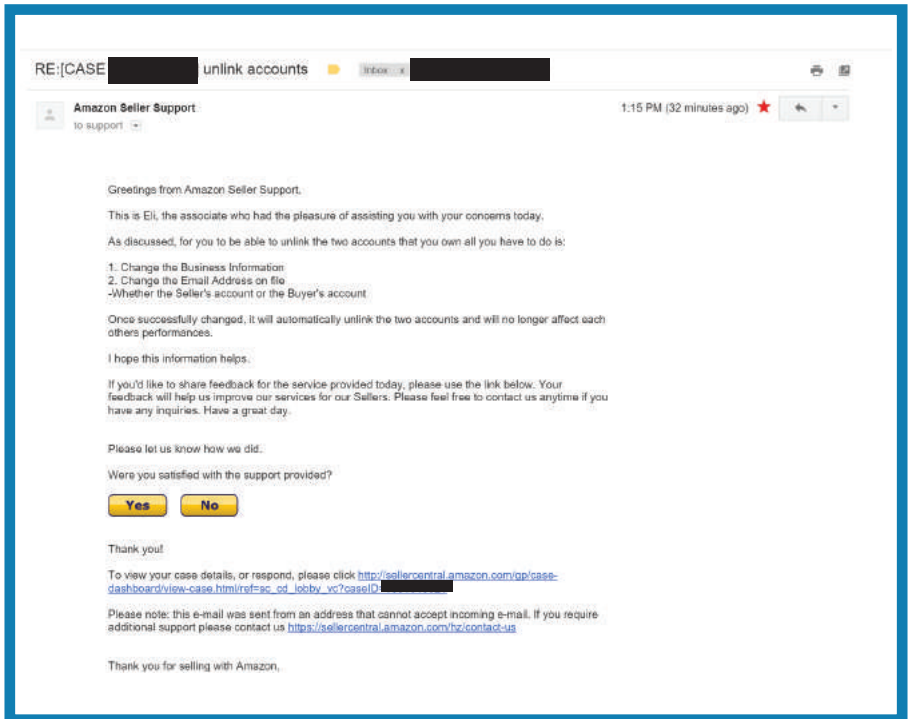
Dispelling Another Myth – Unlinking Accounts

While we’re at it, we thought we’d share one more myth-busting letter from Seller Support. The letter below shows how to “unlink” accounts. What does this mean?

It means that under certain circumstances you can in fact own more than one Amazon Store Account. The letter below is in reference to a sale where the business seller had two Amazon Store accounts selling two completely different types of products, but with deposits all going to the same bank account.

We were engaged to assist in both sales.

In the process of those sales, the seller, buyers, and Quiet Light Brokerage, wanted to ensure that the accounts were unlinked and completely separated from each other with no future recourse from Amazon. The owner of the accounts reached out to Amazon and after several calls was able to get the following email with instructions on how to unlink the accounts.



So, in summary, yes you can sell your Amazon Store and have all of the reviews and ratings transferred with it.

There Is a Strong & Healthy Market For Amazon Businesses

As Amazon continues to grow at an incredibly rapid pace, entrepreneurs are beginning to see just how lucrative this

marketplace really is. But starting a new business from scratch is difficult, risky, time-consuming, and has no guarantee of success.



Therefore, entrepreneurs are always actively seeking established Amazon businesses.

In order for you to capitalize on a sale and achieve maximum value for your business, you should understand all of the aspects of transferring the ownership of your Seller Account. Each step below

is critical to achieving the goal of having someone take over the assets of your business (your Seller Account is only one of those assets), deposit a large sum of monies in your bank account and allow you to move on to your next adventure.





Step One: Clean Financials

Perhaps you thought we would first start with a valuation, but this cannot properly be done without clean financials. So let's start there.

Clean financials sounds ominous, which it can be. For many entrepreneurs their business starts as a hobby so the idea of setting up a separate corporation, bank account, and credit cards, just for a hobby business seems like too much of an effort.

Since most hobbies-turned-businesses eventually fail, there is a valid argument that setting up all of these accounts could, in fact, be a waste of time and money. But for those of you who have turned a hobby into a successful business and a sellable asset, clean financials are critical to getting maximum value.

Can you sell your Amazon Store with financials kept on a napkin, Excel spreadsheet, or a personal account instead of a business one?

Can you use only the Amazon reports as proof of income? Yes.

Will it be more difficult? Yes.

Will you get maximum value? No.

For business owners that use QuickBooks, Xero, or some other accounting software, congratulations, your workload just got lighter. But for those of you who need to develop a profit and loss statement (usually just called a P&L) from scratch, then don't worry. We can help with that. Just reach out to one of the brokers at Quiet Light Brokerage and we will send you a P&L template in Excel format.

To be clear, when we say "clean financials", this does not mean avoiding the write-offs many self-employed individuals enjoy. Instead it means being able to clearly identify total revenues, trends, gross profits, expenses, and ultimately the Seller's Discretionary Earnings (SDE).

But What About My Salary and Other Personal Benefits?

In order to get maximum value for your business, you will want to show healthy, strong profits. However, between paying yourself a salary, personal perks such as travel, and accountants who introduce expenses like Amortization and Depreciation, your profit and loss statement might show lower profits.

Don't worry, your broker will develop an "Add Back Schedule" to show what the actual owner's earnings are for your business or what is called Seller's Discretionary Earnings (SDE).

Add-backs are generally any expenses that do not carry forward to a new owner in the process of the sale. The best method for understanding what clean financials look like is to see an actual P&L in the proper format with an add-back schedule.

Add-back examples often include:

- Owner's salary
- Personal meals and entertainment
- Travel
- Mobile phones
- Services you no longer use (and have not for 6+ months) that have had no impact on sales
- One-time expenses
- Auto expenses
- Charitable contributions
- And more...



Here's a glimpse of what a Quiet Light Brokerage-presented P&L for an Amazon Store looks like - in full detail:

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-16	Feb-16	Mar-16	Total
Revenue													
Sales	85,052	75,300	88,698	125,959	103,717	121,022	100,973	100,907	200,404	117,523	115,490	101,228	1,336,264
Shipping & Handling	2,456	2,563	2,699	4,073	3,042	3,376	2,810	2,965	5,857	3,217	3,252	3,190	39,400
Total Revenue	87,507	77,863	91,397	130,033	106,760	124,399	103,783	103,772	206,261	120,740	118,731	104,418	1,375,663
Less Cost of Sales													
Cost of Goods Sold	22,557	19,071	23,524	33,407	27,508	32,007	26,790	26,762	53,151	31,169	30,627	26,848	338,857
Subcontractors	30	400	140	80	0	0	0	520	625	0	0	0	1,805
Total Cost of Sales	22,587	20,374	23,664	33,487	27,508	32,007	26,780	27,282	53,776	31,169	30,627	26,848	340,662
Gross Profit	64,920	57,492	67,732	96,536	79,252	92,301	77,003	76,490	152,485	89,570	88,104	77,571	1,035,001
Other Income & Expense													
Advertising	389	5	5	5	1,180	305	363	1,468	575	425	0	50	4,790
Advertising - Amazon	2,670	3,095	7,334	8,301	9,276	7,289	7,034	7,118	9,197	10,089	8,634	5,539	86,477
Advertising - Facebook	68	0	1,973	3,110	1,995	609	1,738	3,987	4,508	3,686	1,800	462	22,137
Amazon - Fees	23,800	21,084	24,880	35,066	29,385	33,042	29,213	29,435	57,960	32,375	32,459	31,361	381,330
Amazon - Promotions	9,924	2,547	3,012	6,883	5,151	13,509	7,779	14,508	22,003	24,083	14,490	8,378	132,267
Amazon Selling Fee	40	40	40	0	40	40	40	40	40	40	40	40	440
Bank Service Charges	0	0	0	0	0	0	0	0	0	0	100	60	160
Dues & Subscriptions	30	30	30	30	30	30	30	30	30	30	30	0	300
Interest Expense	125	137	119	148	116	151	97	92	87	91	93	88	1,344
Meals and Entertainment	66	78	126	42	566	83	92	110	96	14	366	87	1,728
Other Expense	0	0	300	0	0	0	0	0	0	0	0	0	300
Owner Payroll	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Professional Fees	0	0	349	0	0	2,750	0	240	0	0	0	0	3,339
Refunds	1,158	720	971	1,289	798	947	1,243	1,833	1,306	1,527	897	15	14,052
Sales Tax	4,375	3,983	4,570	6,502	5,338	6,220	5,189	5,189	10,313	6,037	5,937	5,221	66,783
Shipping and Postage	0	0	0	0	0	0	0	54	0	0	0	0	54
Travel	0	0	375	1,826	0	0	0	250	1,925	452	75	0	4,804
Tools Expense Account	109	109	124	678	190	235	175	450	200	833	281	3331.52	3,716
Utilities	30	28	30	0	30	30	29	27	27	27	0	\$44.00	305
Website Redesign	0	0	0	0	2,750	0	0	0	0	0	0	0	2,750
Total Other Income & Expense	47,844	38,187	48,337	69,570	61,847	70,566	57,727	68,360	113,796	84,486	70,801	67,648	789,172
Net Income	17,075	19,305	19,395	26,966	17,405	21,735	19,277	8,130	38,689	5,081	17,303	19,923	245,829
Add Back Schedule													
Interest Expense	125	137	119	148	116	151	97	92	87	91	93	88	1,344
Meals and Entertainment	66	78	126	42	566	83	92	110	96	14	366	87	1,728
Owner Payroll	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Product photography	0	0	0	0	0	0	0	240	0	0	0	0	240
Travel	0	0	375	1,826	0	0	0	250	1,925	452	75	0	4,804
Website Redesign	0	0	0	0	2,750	0	0	0	0	0	0	0	2,750
Trademark filing	0	0	349	0	0	0	0	0	0	0	0	0	349
Total Add Backs	6,190	5,216	8,969	7,016	5,682	7,984	6,169	5,682	7,109	5,657	6,534	6,175	71,312
Total Seller Discretionary Earnings (SDE)	22,265	24,520	28,364	33,982	23,087	29,719	24,466	13,822	45,798	10,638	22,837	25,098	317,141

Some business owners add the Amazon fees to their total revenues and then deduct them as expenses below the gross profit line. Others simply record the deposits. We

have successfully sold businesses that do both so we cannot definitively say one way is right or wrong. Your CPA will no doubt have a strong opinion on this.



In the P&L above it is the bottom line SDE figure that is applied to a multiple. So if this business was going to list in the 2.5-3x SDE

range, the list price would be somewhere between \$792,852 and \$951,423.

Dispelling Another Myth – Unlinking Accounts

$2.5 \times \$317,141 = \$792,852$

$3.0 \times \$317,141 = \$951,423$

In almost all Amazon Store cases there is also inventory involved. The business list price range excludes the cost of goods sold

(COG) value of inventory. The total inventory value and the cost to ship it to the fulfillment center, is paid to the seller in *addition* to the purchase price when the business is sold.

Should I Collect Sales Taxes?

Sales taxes are becoming more of an issue when selling an Amazon Store. The question may come up *“are you collecting sales taxes and paying them?”* from a potential buyer in the due diligence process. The question of nexus is one filled with lots of grey and very little black and white. At least that is what many experts say.

To get a firmer grip and understanding of your potential sales tax obligation and nexus, consider watching this sales tax webinar, featuring Eric Olson from Taxify. It covers all aspects of sales tax compliance for Amazon Sellers. Want a non-biased opinion on sales tax nexus? Take a look at this article from the American Bar Association.

How Old Should My Business Be Before I Sell?

Prior to the birth of the Amazon Store as a viable business model,

the minimum age of a business we would take on was 24 months.



While there are exceptions to every rule, the 24 months was more or less set and created by our buyer database over the last 10 years.

Any business less than this was devalued greatly due to the risk associated with a young business that somehow catapulted to the top of Google's rankings. In this case we always advised our sellers to hold off and wait until the business was at least 24 months old before selling, in order to get maximum value.

While we still advise our Amazon Store owners to let the business grow in age, the 24 month rule is no longer a hard and fast rule. In recent months we sold an Amazon Store that was just 18 months old. This business had a clearly defined brand, multiple skus with room to expand and a lot of room for growth

within and outside of Amazon, on and offline. If this business owner had waited another 6-12 months before selling their business and the growth trajectory continued, they certainly would have sold for a higher multiple than they did.

Even with the exception listed above and the Amazon Store business coming of age, we always suggest looking at things from the buyer perspective when selling your online business. Buyers like opportunities with low risk and a lot of room for growth. The younger a business is, the more perceived risk is associated with it.

Yes there is room for growth, but "business age" versus "growth opportunities" is a delicate balance that can only be looked at one business at a time.



Step Two: Determining The Value Range

The value of an Amazon Store or any Internet-based business is based on many factors. The primary factor or starting point is the past 12 months Seller's Discretionary Earnings (SDE), or essentially whatever money is left over for the owner after all core business expenses have been paid.

Getting this right is critical to the entire process of selling your Amazon Store. If you (we) get it wrong, odds are a buyer will discover the error in due diligence and your deal will be renegotiated or fall apart altogether. If this happens, the process starts all over again, or you pull the listing, take a break and re-list once the financials are accurate.

Once you have the correct SDE, a multiple (i.e. 3x) is applied to get the value of your business.

But there are many other factors as well. All of them are combined to come up with a value range.

If you would like to review a deeper, in-depth view and analysis

Factors That Impact The Multiple Range Of a Business:

- A trailing 12 month SDE
- The niche
- The age of the business
- Total revenue and SDE trends
- The growth opportunities inside and outside Amazon
- The barriers to entry
- The competition
- The margins
- The account ratings and reviews
- The owner's workload
- Transferability
- The number of staff or contractors needed
- The brand ownership
- The trademarks
- The economic conditions
- The marketplace value trends



of determining the value of a web-based business, consider reading the Ultimate Guide to Website Value, written by Mark Daoust here at Quiet Light Brokerage.

It is critically important to understand that no two Amazon businesses are alike when it comes to a valuation. A personal approach must be taken each time, and the goals of the owners have to be taken into account.

Business owners and brokers must work together to determine the value of the Seller Account and overall business. It should never be a one-sided conversation. The value has to work for both parties and an eventual buyer, or you are just listing your business for sale and not actually selling it.

Up until now, in 2016, the trends seem to be in the 2.5-3x range for an Amazon business. If the multiple is pushed higher it is because huge growth opportunities are still available; and there is little concern about competition.

If the multiple is pushed lower it could be because the trends are looking downwards. Or perhaps personal reasons such as a divorce, or a more urgent need such as needing the cash for a down-payment on a house under contract.

We've seen all sorts of reasons for multiples varying greatly. Each valuation must be looked at individually based on all its factors, as long as the multiple winds up in an acceptable range to potential buyers.



Step Three: The Cost/Benefit Of Selling Your Amazon Store

When you investigate the value of your Amazon Store or decide it is time to sell, you should without

a doubt know all of the financial factors involved. You should also have a plan for after the sale.

Financial Factors - What Is Left Over After The Sale?

The financial factors involved in selling your online business are generally these three, but with each business owner comes a different list:

1. Broker Commission
2. Legal Fees
3. Taxes

The Broker's Commission

At Quiet Light Brokerage, we are “success-based business advisors”. This means we only get paid if we are successful at selling your business. If the assets of your business do not transfer to a new owner and funds do not wind up in your bank account, we did not succeed at our job and therefore we do not get paid.

The fee we charge is 10% of the total asset value of the sale on the first \$1,000,000 in assets, and then 8.5% on everything above \$1,000,000. Note that these are “asset sales” so you are not selling your corporation or LLC.

What we do to earn our fee is based on over 10 years of experience and over 600 transactions closed, with a value topping **100 million dollars**. We will touch more on what we do to earn your business in each of the following steps.



Legal Fees

Since we've been at this for more than a decade, we've managed to develop many solid workable documents that would dramatically reduce your legal fees. We have both Letters of Intent (LOI) templates and Asset Purchase Agreements (APA) that are both fair and balanced to our sellers and buyers.

We always advise our clients to have these documents reviewed by their attorneys, but because it is a review - not a "develop a document from scratch" process - you will be pleasantly surprised at how low your legal bill is.

Based on years of experience it is rare to see attorney fees go higher than \$3,000-5,000 for a 6-7 figure transaction, when selling a business through Quiet Light Brokerage. In most cases, the legal costs are actually much less.

In the example above if the multiple is 2.5-3x, the odds are (depending on the multiple) the "Owner after Tax Proceeds" is

Taxes

Estimating your correct tax expenses is a critical step in determining how much you will have left over after the sale of your business. Generally speaking, the federal capital gains taxes is about 18.9%. The state taxes vary by state, but 6-7% is a safe estimate. Combined federal and state taxes are therefore roughly 25%.

This is a rough number so it is advisable to check with your accountant for a firmer number based on your personal situation.

Example:

Total Asset Value of your sale:	\$1,000,000
Broker Commission:	-\$100,000 ((10% x \$1,000,000))
Legal Fees:	-\$5,000
Capital Gains Taxes:	-\$223,750 ((\$1,000,000)-(100,000+\$5,000)) x (.25)
Owner after Tax Proceeds:	\$671,250 plus inventory on hand at the time of closing

equivalent to about 2.5-3 years of after-tax income. When you add in the inventory, the "years" grow based on the total inventory value.

If the business being sold holds inventory, it is sold separately to the buyer within the transaction. So the total value of that inventory would be added to the “Owner after Tax Proceeds” as well.

One other consideration when selling are the possible impacts on the rest of your tax situation.

Will selling the business bump you into a different tax bracket? Will it take away certain tax deductions? Having a frank discussion with your accountant about these implications

is a critical step in the process. It is best to have that discussion after you understand the potential value of your business though, so your accountant can help make an informed (and mathematical) decision.

If the numbers and math matter as much to you - and they do to most Amazon Store owners - you may want to read *Should you Sell or Hold your Business: A Data Driven Answer* by Mark Daoust.

While many business owners may feel the “Owner after Tax

Proceeds” may seem like too little, to others it is a financial windfall. Especially for an e-commerce business (with inventory) owner where the profits are needed/used as working capital and continually re-invested into the ever growing need for more inventories. This scenario results in a business being worth much more than the seller

sees in their bank account from the annual operations of the business.

Once you’ve done the math and understand the value of your business, and what will be left over after

all expenses and taxes, you can determine if/when to sell.

Note that the majority of our valuation calls result in a buyer holding off on selling their business until they reach the target value or goal they have set. If they have not set a financial goal in order to sell, we strongly recommend they do just that. We suggest they write it down and keep up with a monthly review of the P&Ls until the value reaches enough to achieve their goal. We’re happy to help with a follow-up review anytime.

“
Once you’ve done the math and understand the value of your business, and what will be left over after all expenses and taxes, you can determine if/when to sell.
”



Step Four: Engagement Letter

Once you have determined that selling your Amazon Store is worth the time, effort and financial reward, it will be time to review and

sign an Engagement Letter with the brokerage firm you choose. This is, and should be uncomplicated.

Here are a few quick notes and highlights about Engagement Letters. If you would like to review a Quiet Light Brokerage Engagement letter, please reach out to one of our brokers at any time.

- **Exclusive Periods** should not be too long. Ultimately the relationship between the business owner and broker must be strong and mutually respectful. The broker cannot sell the business without the help of the owner, and vice versa. At Quiet Light Brokerage our exclusives are only for 90 days. This is because the listings we take on are normally under LOI and / or sold within that time period. If the 90 day period passes and the business is still not sold, the Engagement Letter should allow for a continued relationship in the same manner as the exclusive. This is unless or until the seller decides to move on and engage another broker or simply pull the listing and take a break from selling.
- **Engagement Letters** should be and are exclusive. Once you choose a broker and they decide to take on your listing the relationship should be exclusive. Some brokers may try to win your business by offering non-exclusive relationships or multiple exceptions to their exclusivity. In our experience, this often creates a lot of confusion and the possibility of brokers fighting over who gets paid a commission (with you in the middle). A short exclusive relationship is your friend.
- **The details** of the Engagement Letter are in place for mutual benefits and protection. Please read the details carefully, ask questions if necessary, and follow the guidelines within the Engagement letter during and after the business sale.



Step Five: The Marketing Package

The two most work-intensive steps in selling any online business are managing the due diligence process and preparing information to present to potential buyers.

A Marketing Package is what your broker puts together to present to potential buyers. It should be an in-depth overview of your Amazon Store. When and how it started, how it operates, what the workload entails and what the growth opportunities are. No buyer sees the in-depth details of a Marketing Package without first signing a Non-Disclosure Agreement (NDA).

Due Diligence is the time period after signing a Letter of Intent when a buyer investigates and reviews third-party verification of your financials, digs deeper into the threats and growth opportunities of the business, and gets to know you better as well.

Before we approach potential buyers of your Amazon business, we put together a comprehensive Marketing Package that gives buyers the necessary information they need to make an informed

decision about your business. This is your opportunity to make a case as to why your business is worth buying, but it is also a chance to explain any problems, hiccups, or trouble spots. This is done through an in-depth Client Interview that is written specifically for your business. No two are alike, just like no two businesses are alike.

With every aspect and detail of the Marketing Package comes a glimpse into the business itself. Our job as Business Advisors is to ask every question we think potential buyers will want to ask about your business, and to get you to answer them in writing, in advance in the Client Interview. This will not only save you an immense amount of time in the process of marketing your Amazon Store, it also helps create excitement and a vision of where it has been and where it can go once the buyer takes over.

This step takes a lot of work. If a broker is any good they'll put you through the ringer in the process of developing the Client Interview and Marketing Package so that



when you get to due diligence the deal stays on track towards closing. Rushing and doing a shoddy job leads to surprises, and surprises lead to renegotiations or a deal falling apart.

Words like full disclosure, maturity, thoughtful, and honest cannot be emphasized enough. No, the Marketing Package is not a dating site profile, it is much more important *and* exposing.

That's why we require all potential buyers sign an NDA before they see any details of a Quiet Light Brokerage Marketing Package. As you can see from the listings for sale on our website, we give no details in the teaser that enable

a buyer to determine the exact business that is for sale.

Along with the all-important Client Interview will be access to the Profit and Loss Statement in Excel format with monthly views, traffic trend graphs, images and other important factors that show the history, trends and growth opportunities of the business. If you would like to view a full Marketing Package, visit our site and click on any of the listings to request more details. If you do not have an NDA on file, that will be the first step. Once that is done, you'll have the opportunity to see how our Marketing Packages are put together.



Step Six: Buyer Conference Calls

Conference calls between a buyer and seller are a “must do” before going under Letter of Intent (LOI). Accepting a LOI without speaking to your buyer has you doing business with someone you don’t know. Not that you’ll “know” your buyer after one conference call, but you’ll certainly have a good feel for who they are, and if you feel confident in them as your buyer.

The conference call should be the last step before the LOI. But before a conference call takes place, there should be a lot of communication between the buyer and your broker, including at least one phone call. After that call, if the buyer still has a strong interest in the business, a conference call is arranged. Often, a buyer will ask the seller questions they have already asked the broker.

This gives them a chance to hear answers directly from you.

On the conference call, your broker should make introductions, ask the buyer to give a sixty-second background on themselves, and then step back and let the buyer ask their questions. The broker should be in the background (often on mute) listening to how the call progresses.

A LinkedIn profile of the buyer should be shared with the seller in advance; or some other alternative if a LinkedIn profile is not available.

The objective of the conference call should be clear. It is for the buyer to make a decision about making an offer on the business. The reality though is that the buyer and seller must both feel comfortable with each other. No successful deal is one-sided.

How to Handle Conference Calls

1. Be Yourself – Let your personality shine through and show the joy and enthusiasm you experience from the business. Passion sells!

2. Be Honest – Lies and exaggerations will be discovered during due diligence and can derail deals and open you up to potential legal liability. If there is

something uncomfortable about the business, it is best to present it openly, honestly and with a suggestion of how a new owner can fix it if you are not able to.

- 3. Don't Take It Personally** – If a buyer comes off as obnoxious, rude or uninformed, avoid taking it personally. Listen to their entire thought, and if it's wrong, politely explain that you understand their position, but respectfully disagree. Then explain why you disagree.
- 4. Keep it Simple** – Most potential buyers will not be familiar with your particular industry. Avoid jargon, and buzzwords. Explain the business as you would explain it to your grandma. If the buyer shows any particular knowledge, you can get a little bit more technical, but let the buyer take the lead on how technical the conversation should become. The worst case is to have a buyer pretend to understand a conversation and then fail to put in an offer because they were actually confused the whole time.
- 5. Listen** – Answer questions openly and concisely, and then turn the conversation back to the buyer with a question such as "Did that answer what you were

asking?" Then listen actively to what they are saying.

- 6. Remember The Point** – Though buyers will hurl numerous questions at you, they often do not remember many of the answers. The point of the call is, in large part, to determine if you are trustworthy and will follow through on commitments you make such as training the new owner. Remember to stay calm, relaxed and friendly and to demonstrate how you will help the buyer succeed.
- 7. Build Goodwill** – Offers to do more than what is contractually required build goodwill. You will likely need a reservoir of goodwill during due diligence, so be sure to let the buyer know you care about the business and will do whatever is necessary to help continue its success.
- 8. Avoid Being Baited** – If a buyer asks what is the least you will accept, defer to your broker. It's the broker's job to be the negotiator and, if necessary, the bad guy. It's your job to be helpful. You will have a relationship with the buyer after the sale, so keep it on a high level.



Step Seven: Letter Of Intent

The Letter of Intent (LOI) is the first step in a written commitment from a buyer to purchase your business. It should lay out the basic terms of the offer and deal points. It is not a rock solid guarantee that you have “sold” your business. Just like selling a house, you have to have the business “inspected” first.

In the vast majority of transactions the LOI is not reviewed by an attorney. The language is simple and clear.

A good LOI acts as a framework for the final and binding purchase agreement that will come towards the end of your deal. It should contain the major pieces that need to be negotiated.

The Letter of Intent, by its very nature, is a non-binding agreement

that should be fully contingent on the buyer’s satisfaction with due diligence and a further detailed Asset Purchase Agreement.

A typical time period from the LOI

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to signing the Asset Purchase Agreement (APA) and closing is 30-40 days. We generally allocate about two weeks of that to due diligence, a week to ten days for the

drafting of the APA, editing and signing. Then funding the escrow account and closing occurs.

Depending on the complexity of the transaction things could move slower or faster. Being prepared and well organized with the necessary documents proving your income and expenses helps speed up due diligence tremendously.



Step Eight: Due Diligence

Buyers often talk about doing due diligence when they are simply evaluating whether or not they want to buy a certain business. However, in our process, we refer to due diligence as the verification of information after the Letter of Intent has been signed. The reason for this is that the due diligence process goes much deeper than a review of the Marketing Package, a call with the broker and business owner, and search online to learn about the niche or industry the business is in.

It allows for a deep dive into the financial proof of the revenues and expenses that are detailed in the Marketing Package; and allows for an exclusive period in which the buyer has time to review all aspects of the business without concern about another buyer making and getting an offer accepted. This exclusive period is generally for 2-3 weeks, and then can be extended through to closing once the Asset Purchase Agreement drafting and editing process has begun.

The general goal of due diligence is to verify various key aspects of the business. The most common areas are listed below:

1. Financial

You should provide enough information for a buyer to rebuild the profit and loss statement through to least the previous twelve months. This information should come entirely from 3rd party statements such as Amazon statements, bank statements, vendor invoices, merchant charge statements, and in some cases tax returns. Using these documents, your buyer should be able to verify your monthly P&Ls.

2. Vendor and Contractors

Vendor and contractor relationships are vital to buying a business in an asset acquisition. Some vendors, when hearing that a client



is being bought, try to negotiate new, more favorable terms (which may be less favorable for your buyer). It is important that your buyer get the same discounts, terms, and deals you have.

3. Documentation

Buyers will also want to make sure your business is properly registered and doesn't have outstanding litigation or actions taken against it, as this can, in rare cases, transfer over to a new owner. So be prepared to dig out your old incorporation papers and other documentation.

4. Key Reports

Most businesses have various Key Performance Indicators (KPIs) which they track in their business. You may have used these KPIs in your marketing package – now is the time to prove them with 3rd party documentation.

Staying Organized Through Due Diligence

The general goal of due diligence is to provide enough information for a buyer to rebuild the P&L through to at least the previous twelve months. P&Ls are created by the seller with information pulled from various sources. Due diligence provides 3rd party verification of those sources so a buyer can verify the overall income and expenses for the business they are purchasing.

In due diligence buyers also make sure that vendor and contractor relationships that are vital to

the business will transfer to the new owner. Or that a vendor will allow the new owner to set up a new account at the same costs and discounts the current owner enjoys.

Sellers should pull together the following documents and save them to PDF files in preparation for due diligence. The sooner one starts to prepare and save these documents the better. It eventually means you will have to cram less work into the short window of time you have when selling your business.



The best method for naming and saving the 3rd party documents is to name them in a manner so they are sorted by date (i.e. 1.2013 Amazon Statement , 2.2013 Amazon Statement etc.). Your broker will create a Dropbox folder (or something similar), and send an email to the buyer and seller inviting them to join the folder once all of the documents are in place.

Buyers generally prepare a “due diligence request list” with the help of the broker, their accountant, or some other guidance. If notes need to be added to the due diligence request list then a Word document is generally created with all questions and responses easily located in one place.

Being well organized is the key to a successful due diligence process. A massive data dump of files and hundreds of emails will only make getting to the details tougher for your buyer, and the process will drag on longer.

You should expect due diligence to be invasive, detailed and potentially exhausting, if numbers and details are not your strengths. Your broker should be the funnel

through which all communications flow and they should make sure all emotions are kept in check the entire time.

The following items may be requested by the buyer, but the full due diligence list will likely be much longer.

1. Amazon statements for at least 24 months.
2. Bank statements for at least 24 months.
3. Merchant statements for at least 24 months (if the product is sold through an e-commerce URL as well).
4. Vendor invoices or proof of cost of goods sold (COGs) for at least 24 months.
5. A complete list of vendors with pertinent contact information. This may be withheld until the APA process has begun and a trust has been further established.



Dealing With Errors & Discrepancies

If the due diligence process turns up a \$10,000 error on your part, effectively reducing your income from (i.e.) \$100,000 to \$90,000 you can expect one of two things.

1. Your buyer walks because his minimum SDE threshold has been reached and the business does not produce enough income.
2. Or your sale price is reduced by the \$10,000 x the multiple the business went under the LOI for. If your sale price was 3 times in the LOI then you would drop your price by \$30,000 in the APA and sell the

business for less. If your numbers are wrong, this is simple math and should not be emotional.

Logic generally dictates at this stage of the process and is necessary to successfully get your business sold. You do however always have the option of saying no, but could be doing it at the risk of losing your buyer.

Getting the numbers right (#1 Clean Financials) is the key to avoiding ever having to renegotiate once your purchase price has been established.



Step Nine: Asset Purchase Agreement

Just like with the Letter of Intent, Quiet Light Brokerage provides an asset purchase agreement (APA) draft with specific edits for your transaction. Our APA starts out as a thirteen page document, but often has a few pages added.

You can use the APA 'out of the box', or you may have an attorney use it as a starting point for a more customized agreement. Either way, it'll save you thousands in legal fees.

The APA is the most important of all the documents you sign. It is the agreement between a buyer and a seller that finalizes terms and conditions of the Letter of Intent. It's important to note that an APA differs from a stock purchase agreement (SPA) where company shares, title to assets, and title to liabilities are also sold. In an asset sale, the assets are itemized in a schedule to the APA.

Typical assets that are transferred with the business are:

1. All website domains and URLs
2. All 3rd party Seller Accounts (Amazon, eBay, Etsy etc.)
3. All hosting accounts
4. All domain name accounts
5. All e-commerce platform accounts
6. All website content and files
7. All customer lists
8. All marketing materials
9. All vendor contacts
10. All social media accounts
11. All policy and procedure documents/files
12. All toll-free numbers associated with websites
13. All email addresses associated with website
14. All registered or unregistered trademarks
15. All contracts (written or verbal) with customers and suppliers
16. All inventory on hand or on order at the time of closing



In an APA transaction, it is not necessary for the buyer to purchase all of the assets of the company. In fact, it's common for a buyer to exclude certain assets in an APA.

A recent Amazon business listed by Quiet Light Brokerage had a class B motorhome listed as an asset on its balance sheet. The business owner purchased the motorhome to travel the country with and make some stops along the way to add to, and boost her Business to Business revenues. She had the logo of the business added to the motorhome to make it official. The buyer had no interest in the motorhome and since it was an asset on the balance sheet it had zero impact on the trailing twelve month SDE.

Therefore when the purchase price

for the business was negotiated, we made sure to exclude the motorhome as an asset so she got to keep and enjoy it after the sale. It is a fun fact to note that while the business was listed for sale, under LOI and in due diligence she was traveling the country in the motorhome. With a lifestyle like that who wouldn't want to buy your Amazon business?!

Once an APA has been edited and fully executed, funding the purchase occurs. This generally takes place within a day or two of signing the APA. The purchaser will wire funds to an escrow account held by an attorney or another 3rd party escrow service such as escrow.com. Once the wire hits, closing and the transfer of assets can take place at any time.

Other often-excluded assets are:

- | | |
|---|--|
| <ol style="list-style-type: none">1. Vehicles2. Furniture3. Fixtures4. Equipment5. Computers6. Leases7. Cash-on-hand or on deposit or in financial institutions (unless funds are a deposit or prepayment | <ol style="list-style-type: none">for undelivered goods or services of the business)8. Accounts receivable9. Security deposits of any kind10. Prepaid taxes that pertain to any period after the closing11. Tax refunds or rebates12. Insurance premium refunds13. Mobile Phones14. Personal property |
|---|--|



Step Ten: Closing, Transition & Training

You have listed your Amazon business for sale, negotiated the price and survived due diligence; the APA has been signed and the escrow account funded. Now it is getting VERY real that you are in fact selling your business, versus listing it for sale.

Unlike selling a house or a local bricks and mortar business, when

you all sit around a table and sign a stack of documents and walk away with keys, the “closing” in an online business sale is most often done remotely and solely between the buyer and seller. Your broker can do little to nothing to help expedite this process and steps aside to let this happen between the buyer and seller.

Let’s Define “Closing” When Selling The Assets Of An Online Business

“Closing” simply means transferring control of all of the assets listed in an exhibit in the APA over to the buyer.

In the case of an Amazon Seller account that generally means the following happens:

Log into the seller account and change:

1. The admin username and password
2. The credit card on file for Amazon charges

3. The bank account on file for deposits
4. The tax information (Employer Identification Number (EIN), also known as a Federal Tax Identification Number, is used to identify a business entity.)
5. The email address associated with the account.

According to the Amazon Seller Support letter in the introduction, “All customer ratings and reviews will be transferred”. Since most



Amazon Seller account holders also have websites and vendor relationships, control of the additional assets listed in section nine also have to transfer.

The closing for a typical Amazon Seller account only takes a few hours. Once the buyer has control of all of the assets, the escrow account holder is notified by both parties and the funds are released to the seller.

If closing starts in the AM we

generally see funds released and a wire hitting the seller's bank account the same day. And we prefer to close on any weekday except Friday. We avoid Fridays if possible in the event everything is not transferred in time to get the wire initiated and have it hit the seller's bank account by the day's end. If this happens the seller has no business and no funds from the sale over the weekend and as you can imagine, it can make for a very long weekend!

Training & Transition

Now that the business transaction has closed, the training and transition period begins. In the Quiet Light Brokerage APA the transition and training period is generally "up to 40 hours over the first 90 days". This can change with each business as some are more complex, and other less.

The goal of each party in this phase should be a smooth and successful transition of the day to day operations, and an understanding of how to continue down the path of growth.

It is highly recommended that buyers and sellers both keep a

Training and transition most often happens via the following methods and should always be scheduled:

- Telephone
- Screenshare
- Email
- Face to face (rare)

journal of the time spent on the transition and training time so there are no disputes. Some well-organized sellers keep this journal on a Google Drive document that is shared with the buyer.



In most cases the 40 hours is not used by the buyer. This is due to the reality that running an Amazon business is generally uncomplicated, easy to manage and easy to learn. It is likely that a buyer may reach out to the seller after the first 90 days with a quick

question or a seek an opinion from the seller.

It is always advisable to do everything possible to respond to these questions in a timely manner and help your buyer become the successful new owner of your business.

Summary

Five to six years ago the idea of selling an Amazon Store seemed unfathomable. Fast forward to today and we are working with multiple six and seven figure Amazon Stores. Our buyer database seems to clearly understand the value of an Amazon Store and the benefits (and risks) associated with them.

As always, regardless of whether you plan to sell your Amazon business today, next month, next year, or just want to explore your options, we are happy to help. Our valuation process involves absolutely no pressure to list your business. In fact we suggest to the vast majority of our clients that they wait until the time is right for them to sell.

We offer guidance and share our own personal experiences. Each of us at Quiet Light Brokerage has built, bought and sold our own web-based businesses and have walked in all shoes. We have a unique perspective on the process and know what it is like to be a buyer, seller, and now act as brokers who enjoying crafting

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“Joe Valley and the team at Quiet Light Brokerage are the exception to the higher pressure tactic rule. I chatted with Joe for over a year before listing my business. He was patient, knowledgeable and understanding of my anxiety, based on his own experience of selling his ecommerce business. I can’t imagine doing the deal without Joe. He is truly the best and I now count him as a friend, mentor and confidant”

~Craig A.

)”
deals that benefit everyone involved.

The bottom line is - we're here to help

Would you like to receive a free valuation and sellability analysis of your Amazon business? Feel free to reach out to us for a complimentary review of your Amazon business. In this review we'll

- Provide an estimated current market value
- Identify any elements which may be hurting your current value
- Help identify 'low-hanging fruit' which could increase the value of the business

To get your review, goto: <https://www.quietlightbrokerage.com/sell/> or call (800) 746-5034

