
QuietLight
BROKERAGE
10
STEPS TO SELL
YOUR AMAZON
BUSINESS



SELLING YOUR AMAZON BUSINESS

If you're reading this, it means you've launched a successful Amazon business and are thinking about a possible exit. Or at the very least, you want to understand the value of what you have built. Good for you.

JOE VALLEY

I know from firsthand experience that planning for your exit will help you make more money when it's time to sell. Planning also means your sale will be less stressful. And don't let the hype fool you—selling your business is stressful!

Life-changing dollars are just a few weeks away. No matter how prepared you think you are, stress is going to be a constant companion while you sell your business.

Whether you have an Amazon FBA, Shopify store, a Dropship model, SaaS business, a content site, or you sell products on dozens of platforms, you still need exit planning. This is the best way to get true, maximum value for your hard work. Don't you deserve to get paid for your work?

But exit planning isn't always straightforward. It goes way beyond what you made last month or last year's earnings. Get it right, though, and you'll open your eyes to true financial freedom.

Most people can guess the value of their home, car, or retirement fund within 10% or so. But when it comes to the value of their online business, few people get the numbers right.

That's a crime! In this case, lack of information is robbing you of tens of thousands (and even millions) of dollars.

I learned that the hard way. I thought about selling my business after fighting to keep it alive during the Great Recession. I wanted to put my energy somewhere else, and realized I could sell my business, move on, and find invigorating work again.

I looked for every business broker I could find that knew about selling web-based businesses. There were only a few at the time, mind you, and almost all of them sucked. I could feel them trying to get their claws into me, fishing for a commission.

I found one bright, shining exception in Mark Daoust, the Founder of Quiet Light Brokerage. Today, he's my business partner, but on that fateful day, he said, "Go away." He actually told me to go away because it was in my best interests.

Mark and I looked at my profit and loss statements, workload, staff, and current trends. He pointed out something obvious that nobody else had pointed out: my numbers were getting stronger. If I could wait another six months, my business value would jump by 20 - 30%.

I found someone who was brave enough to give advice that was in my best interest. Mark told me to go away, focus on strengthening my business, and then come back when I was ready.

Instead of jumping headfirst into selling my business, I set goals and objectives. Everyone else was chomping at the bit for me to sell so they could make their money, but Mark was looking out for me. I was sold.

At this point, I understood the value of my business and how I could improve it. I was blinded by the light bulbs going off in my head.

After meeting with Mark, I knew how to:

- **Increase my trailing 12 months seller's discretionary earnings (SDE)**
- **How to make my business more attractive to buyers**
- **What buyers were looking for**
- **Estimate the taxes I would owe**
- **Calculate broker fees**
- **How much I would have after a sale, if I chose to sell**

I'm not a great sleeper to begin with, but I couldn't sleep at all after my meeting with Mark. And it wasn't from normal entrepreneur-induced stresses like scaling, hiring, or paying bills. I couldn't sleep because I was so pumped! There was so much excitement and opportunity left in my business. I finally knew what I needed to do to reach my financial goals.

Getting clear with my business was one of the best things I've ever done. I hope this book offers that same clarity to you.

It wasn't easy growing your business to where it is today. Maybe you made it look easy to people on the outside, but your hard work, knowledge, and experience (plus luck and good timing), are things to be proud of. You deserve to get a good return when you sell your business.

But before we even think about selling your Amazon business, we have to dispel some common myths ABOUT SELLING YOUR BUSINESS. Once we're on the same page fact-wise, we can look at selling your biz for real.

amazon



DISPELLING AMAZON MYTHS

MYTH No. 1:

"I can't sell my Amazon business."

When this book first came out in 2015, this was a big worry for Amazon biz owners. Today, it's not a big deal. Most Amazon entrepreneurs know they can sell their business assets. As long as your buyer has never been banned from selling on Amazon, you're in the clear to sell your Amazon business. Phew!

I actually contacted Amazon to get answers about the intricacies of transferring Amazon business ownership. Along with giving us the go-ahead, Amazon gave us step-by-step instructions on how to sell safely.

Quiet Light now requires every Amazon business owner to get a letter from Amazon Seller Support getting the green light from Amazon.

Why?

It gives your buyers more confidence. They don't have to worry they're involved in a sketchy deal because you have Amazon's seal of approval. This letter is proof you can transfer your business without losing rankings or ratings in the marketplace.

Getting the all-clear from Amazon also keeps your transaction apparent and on the up-and-up. This protects both you and the seller after the sale.

Although they don't really advertise it, Amazon representatives will help you transfer Amazon accounts.

TIP

Keep your different brands separate, both in your LLCs and seller accounts. If you decide to sell one brand, you'll have a cleaner exit. Combining two or more brands in a seller account means that you'll need to set up a new seller account for your other brand, lowering your business value.

Inbox

COMPOSE

Inbox
Starred
Sent Mail
Drafts
Notes
More

Peter

SELLER CENTRAL ACCOUNT TRANSFER INSTRUCTIONS

John Doe johndoe@gmail.com
to **Peter**

Here's an example of what your letter will look like from Amazon:

to me

Greetings from Amazon Seller Support,

This is Nicholas, the agent you spoke with. It was my pleasure assisting you today.

You stated that you had a query concerning the transfer of ownership of an account.

You were advised that you were advised that the Owner of the account would simply need to change the info

Charge Method (CC)
Deposit Method (bank Account)
TAX Information
Account Name
Email Address Associated

By doing the above, all customer rating and reviews will be transferred and this is to include services such a:

...

Thank you for taking time to contact Amazon.com. We hope you'll keep us in mind for you future sales.

As a Seller Support Representative your satisfaction is my top priority, and your feedback a very valuable ass

I would really appreciate if you evaluate the quality of my service below.

We read all of your comments and suggestions. Thank you very much in advance for your input.

Thank you for selling with Amazon,

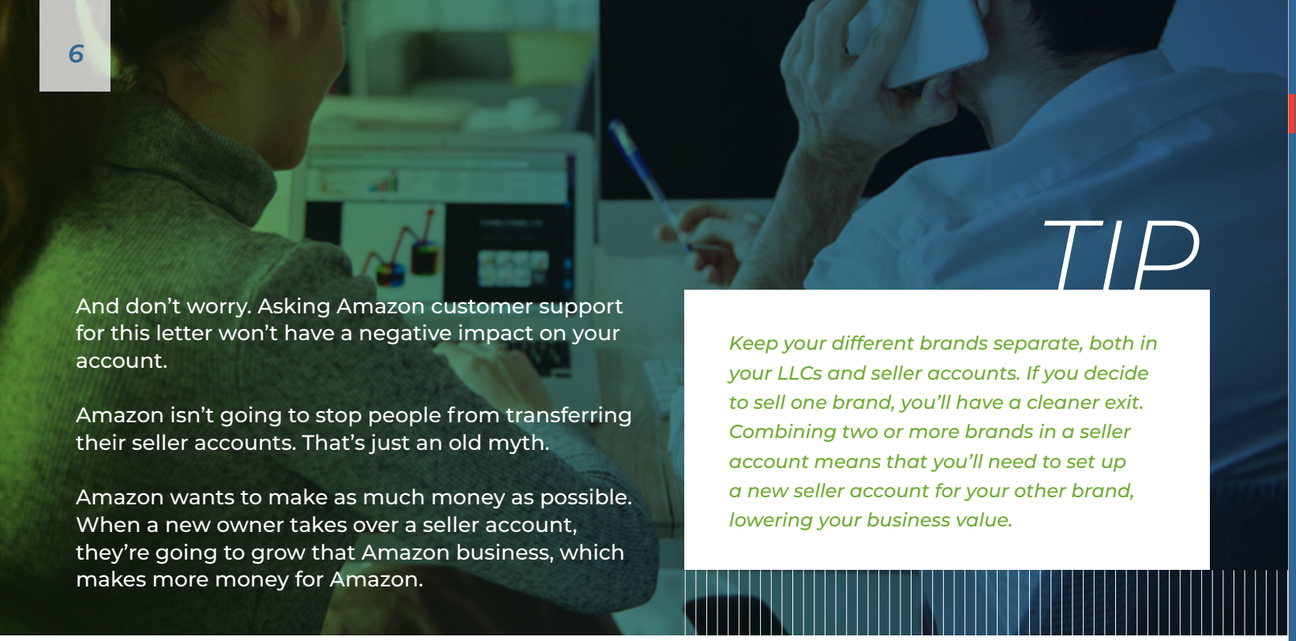
Nicholas M.
Amazon.com Seller Support

MORE WAYS TO GET HELP:
Visit our Seller Forums for help from other seller: http://sellercentral.amazon.com/forums
Browse all Seller Help topics: http://sellercentral.amazon.com/gp/help

To contact us again about this issue, please use the Contact Us form in Seller Central using the following link

http://sellercentral.amazon.com/gp/contact-us/contact-amazon-form-[redacted]

Please note: this e-mail was sent from a notification-only address that cannot accept incoming e-mail.



And don't worry. Asking Amazon customer support for this letter won't have a negative impact on your account.

Amazon isn't going to stop people from transferring their seller accounts. That's just an old myth.

Amazon wants to make as much money as possible. When a new owner takes over a seller account, they're going to grow that Amazon business, which makes more money for Amazon.

TIP

Keep your different brands separate, both in your LLCs and seller accounts. If you decide to sell one brand, you'll have a cleaner exit. Combining two or more brands in a seller account means that you'll need to set up a new seller account for your other brand, lowering your business value.

AMAZON'S LEGAL DEPARTMENT GETS INVOLVED

If Amazon is pretty willing to transfer sellers, why do people still think that Amazon doesn't want to transfer accounts?

Well, after chatting with some former Amazon executives, we got some real answers. The only reason Amazon won't transfer seller accounts is if your buyer has been banned for bad behavior.

Amazon reserves the right to turn down bad actors from buying up other Amazon accounts, which is understandable. If you run your Amazon Seller Account properly, it shouldn't affect your transfer in any way.

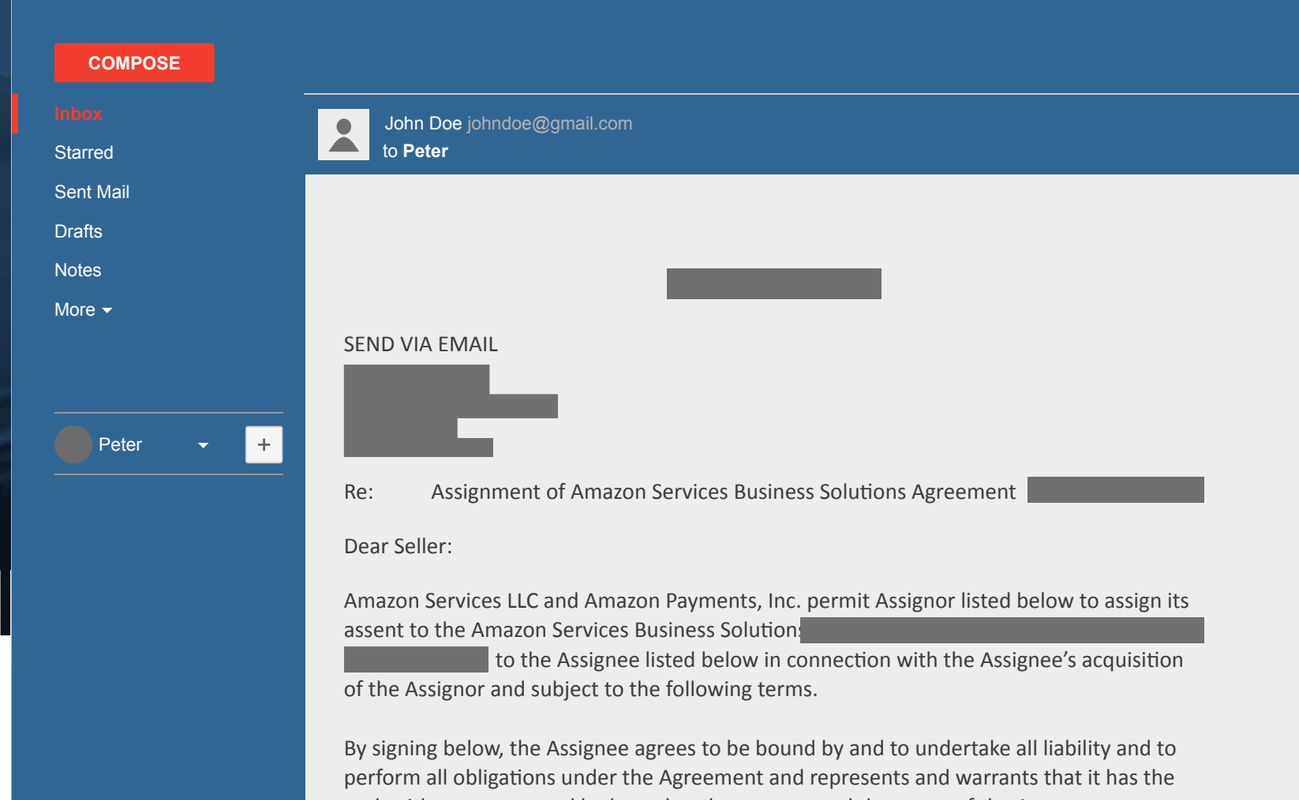
Here's a quick case study: We had a large, established Amazon transaction where the seller had an assigned Amazon rep. When it was high time to make the transfer, our seller asked Seller central for transfer instructions. The rep used a legal form to authorize the account transfer.

Care to guess what was on the form?

Not much.

All the form does is document the transfer. Amazon noted that they would check the buyer to make sure they'd never been banned. If Amazon found that to be the case, the transfer wouldn't go through.

Other than that, Amazon is pretty chill about the whole affair.



Don't let this myth get in the way of selling your Amazon business. When in doubt, contact an Amazon representative to get the truth. Make sure you document everything in writing so you have evidence you can take back to your buyer.



MYTH No 3:

“I can sell the brand and still keep my Amazon Seller account”

Plenty of sellers have asked us whether they can sell only one brand inside their seller account.

In other words, they want a buyer to buy the brand and then move that brand into another existing Amazon account.

Amazon wasn’t super forthcoming about whether this is okay. No one knew if it would negatively affect the brand or the store rankings.

In the summer of 2018, we had a client transaction where the brand needed to be moved into another seller account. I’m not going to lie—it was a toughie.

Fortunately, the buyer and seller were amazing. They were open to testing out new ideas, especially when it meant closing on a good deal.



Here’s how we worked it out:

1. THE BUYER HAD A SEPARATE AMAZON SELLER ACCOUNT WITH A LOWER RATING.

2. THE SELLER HAD A 3 PL WITH INVENTORY AND SHIPPED THE NEWLY-LABELED PRODUCT TO THE BUYER’S SELLER ACCOUNT.

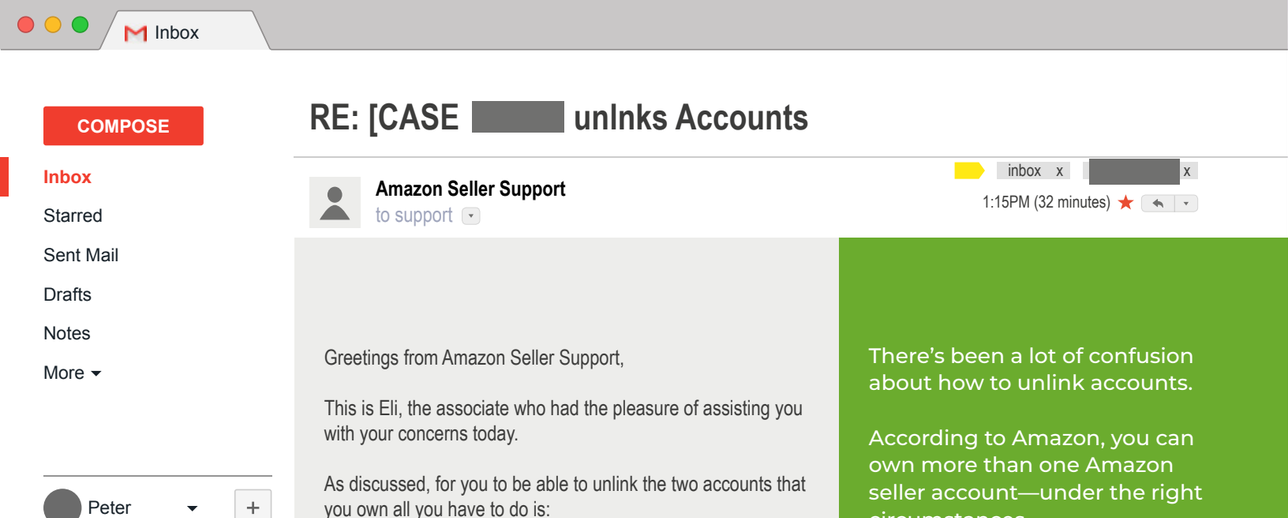
3. WE DUPLICATED THE AMAZON SPONSORED AD ACCOUNT AND SET IT UP IN THE NEW ACCOUNT.

4. WHEN THE LISTINGS WENT LIVE ON THE NEW ACCOUNT, THEY WENT ON VACATION INSIDE THE OLD ACCOUNT.

5. WE TESTED AT THE THREE-WEEK MARK AND FOUND THAT THERE WAS SIMILAR TRAFFIC FOR ALL THREE ASINS. WE SAW A SIMILAR ACOS ON SPONSORED ADS, TOO.

6. AFTER THE THREE-WEEK TEST, THE ORIGINAL ACCOUNT WENT LIVE AGAIN. WE PUT THE NEW ACCOUNT ON VACATION UNTIL THE ASSET PURCHASE AGREEMENT WENT THROUGH.

This is the first time I’ve seen a brand move from one seller account to another during a sale without a negative hit to organic traffic or revenue.



MYTH No 2:

“I can’t unlink my accounts.”

There’s been a lot of confusion about how to unlink accounts.

According to Amazon, you can own more than one Amazon seller account—under the right circumstances.

Here’s a good example from a past client of ours.

The business owner had two Amazon seller accounts where they sold two completely different types of products. However, the owner wanted to sell both accounts, but the deposits were all going to the same bank account.
In this situation, you want to make sure all the accounts are completely unlinked and separated.

After a few calls with Amazon, they clarified how to unlink the two accounts. All we had to do was change the business’s information and adjust the email address on file.

Boom! Easy enough.

If you have linked accounts, don’t worry. You’ll be able to unlink and sell them as separate entities, if that’s what you need to do.



DON'T DO THIS
IF YOU CAN AVOID IT

Ideally, you should only have one seller account. Less is more, after all.

Heck, it's better to have all of your brands in one account that you sell together. Portioning out your accounts is complicated and risky.

And remember, buyers hate risk. More risk means selling your biz for less money, and that sucks.

The best approach is to have a clean transaction that goes off without a hitch. Of course, the best way to have a clean transaction is to design your exit from the business before an eventual sale.

If you have multiple brands in one seller account, move them into separate accounts before you plan to sell your business. You need to do this at least a year before you plan on selling.

Yes, it's a total pain and requires a lot of logistics. But the pain of switching around your seller accounts still hurts less than devaluing your business.

Now that we've dispelled three major Amazon myths, it's time to look at the Amazon market as a whole to see where your biz fits in.

THERE IS A HEALTHY MARKET **FOR AMAZON BUSINESSES**

As Amazon continues to dominate eCommerce, entrepreneurs are taking notice. People are seeing Amazon for the goldmine that it is.

But digging for gold comes with risk, too. It's hard and time-consuming to start a new business from scratch. There's never a guarantee of success.

That said, there are a lot of entrepreneurs out there looking to buy established Amazon businesses. Play your cards right and you'll find a buyer in no time.

Although you're an Amazon pro, you need to know the (slightly boring but mondo-important) ins and outs of business acquisition. Get the maximum value for your brand by understanding valuation, ownership transfer, and exiting your business.

But don't worry. I'm here to guide you through the process. After years in the trenches of business sales, QLB has tips to help you get the most out of selling your Amazon business.

The next steps in this guide will help you sell your business and finally see a fat stack of cash in your bank account.

Ready to start your future?

EXCELLENT! LET'S DIVE IN.





STEP ONE

CLEAN FINANCIALS

Did you think we were going to start off with valuing your business?

Nope! We have to pull up on the reins for a second. We can't give an accurate valuation for your business until we know your finances are free and clear.

That's why we start with looking at your books first.

By the way, chug a cup of tea or coffee before reading this section. It's SUPER important and you don't want to miss a thing.

Let's start with thinking about pain. Life's full of this stuff.

Where do you want to feel the pain? Right now in your brain, or later in your wallet?

CHOOSE YOUR **PAIN**

CHOICE 1

You do the PAINstaking and detailed work right now of understanding your business. You learn how to do valuation, how the sales process works, and how to build and exit a successful business.

CHOICE 2

You avoid learning about numbers right now. You exit your business and feel the emotional and financial PAIN of getting less money for your business.

I know "clean financials" isn't exciting. It even sounds a little ominous, especially if math isn't your forte.

To be clear, "clean financials" doesn't mean looking for tax breaks. It means that you can identify your total revenue, trends, gross profits, expenses, and Seller's Discretionary Earnings (SDE).

If you're running your biz as a hobby, it sounds time-consuming and excessive to set up a corporation, bank account, and credit card for your hobby business.

But if you have a successful business without these things, you've built a business on the wrong foundation.

If you've turned your Amazon business into a sellable asset, you need clean financials to get the most value for your business during a sale.

Could you sell your Amazon business without clean financials? Could you still make a sale with random Excel sheets, a personal bank account, and napkin doodles?

Yes, absolutely.

Can you use Amazon reports as your only proof of income?

Sure. It's America. You can do what you want.

But will this make your business more difficult to sell? Yup.

Will you get the maximum value for your business during a sale with napkin doodles? No way!

Put yourself in a buyer's shoes. Which of these two businesses would you purchase as a buyer?

Business 1: The owner wings everything. They got lucky with their business and decided, "Eh, why not sell?"

Business 2: The owner who has details on how they grew and structured their business. The owner with an SOP that puts you, the buyer, in a position to earn a lot more to get a better return on investment.

Unless you feel like burning money, you would pick Business 2.

You don't need to hire an accountant to track your financials, either. QuickBooks, Xero, Wave, and Freshbooks are free or affordable options for tracking your numbers. If you use these tools, you've already lightened your workload.

Easy, right?

If you need to develop a profit and loss statement (P&L), you probably do need a bookkeeper. They can use their expertise to add your deets into whatever accounting software you want to use.

To convince a buyer to pay you the maximum value of your business, you need to do some financial legwork.

The goal is to show strong, healthy profits and growth. But between paying yourself, travel, and hiring an accountant, your P&L statement might show that you have lower profits than you really do.

Don't fret! QLB brokers know how to handle this. Our brokers (who are all entrepreneurs, btw) will develop an "Add Back Schedule" to show the actual earnings for your business. Add backs are any expenses that don't carry forward to the new business owner in the process of a sale. This is called Seller's Discretionary Earnings (SDE).

TIP

Of course, if you want a bookkeeper, just let QLB know. We can refer you to some A+ bookkeepers with reasonable prices. And we don't earn referral fees from them, either. We're just here to help! Email us at inquiries@quietlightbrokerage.com.

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HOW DO YOU CALCULATE SELLER'S DISCRETIONARY EARNINGS?

Net Income + Add Backs = Seller's Discretionary Earnings (SDE)

HOW DO YOU CALCULATE THE VALUE OF YOUR BUSINESS?

SDE x The Multiple = The List Price

(Plus good, sellable inventory on hand at the time of closing)

You need to classify the right things as add backs to get the most value out of your business. But stick with the facts and numbers here, pal. If you go beyond the black and white, mathematical add backs, any savvy buyer will walk away from the deal.

Common add backs include:

-Owner salary
-Meals and entertainment
-Travel
-Phone service and data plans
-One-time expenses
-Vehicle use, gas, and mileage
-Charitable contributions
-Depreciation

It's one thing to know what counts as an add back and another thing entirely to see it in action.

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Total
Revenue													
Sales	85,052	75,300	88,698	125,959	103,717	121,022	100,973	100,907	200,404	117,523	115,480	101,228	1,336,264
Shipping & Handling	2,455	2,563	2,699	4,073	3,042	3,376	2,810	2,865	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	19,971	23,524	33,407	27,508	32,097	26,780	26,762	53,151	31,169	30,627	26,848	354,401
Subcontractors	30	400	140	90	0	0	0	520	625	0	0	0	1,805
Total Cost of Sales	22,587	20,371	23,664	33,497	27,508	32,097	26,780	27,282	53,776	31,169	30,627	26,848	356,206
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	1,019,457
Other Income & Expense													
Advertising	389	5	5	5	1,180	305	363	1,488	575	425	0	50	4,790
Advertising - Amazon	2,670	3,905	7,334	8,391	9,276	7,289	7,034	7,118	9,197	10,089	8,634	5,539	86,477
Advertising - Facebook	68	0	1,073	3,110	1,995	609	1,738	3,087	4,508	3,686	1,800	462	22,137
Amazon - Fees	23,860	21,694	24,880	35,666	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	0	0	300
Interest Expense	125	137	119	148	116	151	97	92	87	91	93	88	1,344
Meals and Entertainment	65	78	126	42	566	83	92	110	96	14	366	87	1,725
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	1,273	947	1,243	1,833	1,306	1,527	$987.15	14,052
Sales Tax	4,375	3,893	4,570	6,502	5,338	6,220	5,189	5,189	10,313	6,037	5,937	5,221	68,783
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	1,926	452	75	0	4,904
Tools Expense Account	109	109	124	678	190	235	175	450	200	833	281	$331.52	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	$0.00	2,750
Total Other Income & Expense	47,844	38,187	48,337	69,570	61,847	70,566	57,727	68,360	113,796	84,489	70,801	57,648	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	230,285
Add Back Schedule													
Interest Expense	125	137	119	148	116	151	97	92	87	91	93	88	1,344
Meals and Entertainment	65	78	126	42	566	83	92	110	96	14	366	87	1,725
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	1,926	452	75	0	4,904
Website Redesign	0	0	0	0		2,750	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	5,190	5,215	5,969	7,016	5,682	7,984	5,189	5,692	7,109	5,557	5,534	5,175	71,312
Total Seller Discretionary Earnings (SDE)	22,265	24,520	25,364	33,982	23,087	29,719	24,466	13,822	45,798	10,638	22,837	25,098	301,597

Here's a great example of a clean P&L for an Amazon business:



STEP TWO

DETERMINING THE VALUE RANGE

Keep in mind that this P&L is pretty simplified. But if you give it a look, you'll notice that the bottom figure for SDE is applied to a multiple.

If we were going to list this Amazon business, we would list it in the 2.5 - 3x SDE range. That would put the list price for the business somewhere between $753,992 - $904,791.

You'll also have to add the cost of whatever good, sellable inventory is on hand at the time of closing to the total cost.

Most Amazon business sales are going to involve transferring inventory. Your list price is going to exclude the cost of this inventory (called cost of goods sold, or COG).

The buyer will pay you the total value for the inventory, as well as the costs to ship it to a fulfillment center.

SELLER'S DISCRETIONARY EARNINGS MULTIPLE FORMULA:

In a market based valuation, online businesses are valued at a multiple of the trailing

12-month's Seller's Discretionary Earnings (SDE), excluding inventory.

EXAMPLE:

Net Income + Add Backs	=	$500,000 in SDE
Inventory Value	=	$150,000
Multiple	=	3x
Valuation / List Price	=	$1,500,000, plus inventory *

Some brokerage firms might lump your inventory value into the list price. That results in a multiple that looks higher.

QLB doesn't do that because inventory value changes constantly. Instead, we list inventory separately and apply the multiple to your SDE only.



There are a lot of factors that determine the value of an internet-based or Amazon-based business.

Factors That Impact The Value Range Of a Business:

- The trailing 12 month SDE
- Niche
- Age of the business
- Growth trends
- SKU count and revenue balance by SKU
- Growth opportunities on and off Amazon
- Barriers to entry
- Competition and risk
- Gross profit margins
- Ad cost trends
- Quality and volume of product reviews
- The owner's workload
- Transferability of the business and staff
- Number of staff or contractors needed
- Brand ownership
- Trademarks, patents, and and other intellectual property protections
- Marketplace value trends
- Complexity. Is it easy or difficult to run the business?

The biggest factor is your past 12 months of Seller's Discretionary Expenses (SDE). Basically, this shows how much money will be left for the new business owner after they pay all the core business expenses.

You have to get this right if you want to sell your Amazon business.

If at first you don't succeed, you can always list again. If you get the SDE wrong, the buyer is going to discover the error and probably close the deal. It's a tear-jerker, but it happens. Don't worry. You can update the financials and re-list your business.

As you can see from this list, there are other factors you need to consider here, too. Combined, they'll help you come up with a value range.

From here, you want to compare your business to others in your niche that have recently sold.

How Old Should **My Business Be Before I Sell?**

Before the advent of Amazon, we would have told you to wait until your biz was at least 24 months old to sell it.

We came up with this number after looking at 10 years' worth of data. 24 months tells buyers that your business is less risky; that means they're more willing to pay top dollar for your biz.

Look at things from the buyer's perspective. They want opportunities to grow with low risk. Buyers perceive younger businesses as riskier, because you don't have a proven track record.

However, 24 months is no longer a hard and fast rule. In fact, we just sold an Amazon business that was only 18 months old.

This business was successful because it had a defined brand and multiple SKUs (with room to grow).

The right business age depends on your brand, although sometimes waiting it out can be a good thing, too. Actually, if this business had waited another 6-12 months, it would have sold for an even higher multiple.

So hey, even if you think your biz is ready, sometimes waiting pays off—big. That's why we recommend chatting with a broker like QLB to find the right time to sell.

TIP

Did you know that Quiet Light Brokerage will do your valuation for free? Getting a valuation is the smart thing to do. Reach out to get a free valuation at inquiries@quietlightbrokerage.com.

No Two **Amazon Businesses Are Alike**

When crunching the numbers, remember that your business isn't like any other Amazon business. You can't take a one size fits all approach here.

You as the owner need to work with your broker to determine a fair value for your Amazon business. It should never be a one-sided conversation where the broker tells you how it is. You need a two-way conversation that helps you get a great buyer. This is the difference between listing your business and actually selling your business.

As far as multiples go, we see most Amazon businesses sell in the 2.5 - 3.5x range. The higher the multiple, the more awesome the business.

3.5x businesses usually have a decent age and an SDE of $500,000 to $1,000,000.

If you have a lower multiple, that's because trends aren't in favor of your business or that margins are shrinking. Sometimes people sell at a lower multiple for personal reasons, too. If you're going through a divorce, for example, you'd want to sell more quickly at a lower multiple just to be done with it.

You have to take your goals as a seller into account before listing your business. This factors into your valuation and has a big impact on your multiple. While you can get an idea of a multiple from looking at other businesses, never forget that your circumstances are unique.



STEP THREE

THE COST/BENEFIT OF SELLING YOUR AMAZON BUSINESS

After determining the value of your Amazon business, you have more information under your belt. You'll now understand all of the financial factors involved with selling your business. Let's look at the cost/benefit of selling your Amazon business.

FINANCIAL FACTORS

What is left over after the sale?

Congrats on making it through your valuation! Now you need to look at other financial factors. These will vary depending on your situation, but here are the three most common factors to remember.

THE BROKER FEE

Quiet Light Brokerage uses the Modern Lehman brokerage fee structure.

HERE'S WHAT IT LOOKS LIKE:

- **10%** of the first $1 million
- **9%** of the second $1 million
- **8%** of the third $1 million
- **7%** of the forth $1 million
- **6%** of the fifth $1 million
- **5%** of the sixth $1 million
- **4%** of the seventh $1 million
- **3%** of everything above $8 million

The minimum fee is $25,000 or the above scale; whichever is greater. Keep in mind that some transactions might have a different fee structure because they fall outside normal parameters.

Let's break this down. Let's say you have a business with inventory. The combined value of your business plus that inventory is less than $1,000,000. So you'd have a fee of 10% in that case.

If you have a value greater than $1,000,000, there's a discounted fee of 3% that will be applied to your inventory value at closing.

Quiet Light Brokerage is a "success-based" firm, which means that we only get paid once the transaction closes. If we fail to sell a business, we don't earn the fee. That's good news for you!

QLB works to earn your business. We have over 10 years of experience and we've closed more than 1,000 transactions.

Oh, and we waive a lot of the annoying little fees, too. This includes:

Valuation Fee:	*Waived*
Market Readiness Fee:	*Waived*
Work/Retainer Fee:	*Waived*
Documentation Fee (LOI, APA drafts, etc.):	*Waived*
Video Production Fee:	*Waived*
Monthly Service Fee:	*Waived*

LEGAL FEES

Legal fees are another cost to consider when you sell your Amazon business.

Since Quiet Light has been around for more than 10 years, we have solid, workable documents that help you reduce your legal fees. We offer Letters of Intent (LOI) and Asset Purchase Agreement (APA) templates that our buyers and sellers can use.

Of course, you need to have these documents reviewed by your own attorney. Because it's a review, though, they'll charge you way less for their services.

TAXES

You need to estimate your tax expenses correctly. This will help you gauge how much money you'll get in your pocket from the sale of your business.

Generally, you can expect to pay federal capital gains taxes, which is about 18.9%.

State taxes will vary depending on where you live, but a safe estimate is around 7%.

When you combine federal and state taxes, you're looking at a 25% tax rate.

Oh, and there's another sticky side to taxes that you need to be aware of (sorry).

Keep in mind that selling your business will probably affect your tax situation. Will selling your biz bump you into a different tax bracket? Are you going to lose some juicy tax deductions?

Chat with your accountant about these implications if you want to sell without losing your shirt.

Your accountant can help you strategize about the right steps to take for your personal finances.

Here's an example of how these three fees (brokerage, legal, and taxes) play out during a sale.

Example:

Total Asset Value of Your Sale $1,000,000

Broker Fee (10% x $1,000,000) = $100,000

Legal Fees $5,000

Capital Gains Taxes (($1,000,000) - (100,000 + 5,000)) x (.25) = $223,750

Owner Net Proceeds = $671,250 (plus inventory on hand at the time of closing)

Remember, if you have inventory in your business (and you probably do), that inventory is sold separately to your buyer. You'll want to add the value of your inventory to the "Owner Net Proceeds" number to know exactly how much you'd have in your pocket.

Now that we've seen the numbers, let's take a step back. Is this the right time to sell your business, given the data in front of you?

Quiet Light founder Mark has a lot of thoughts about when to hold and when to sell.

SHOULD YOU SELL OR HOLD YOUR BUSINESS: A Data Driven Answer

How are you feeling about the "Owner Net Proceeds" figure right now? Some Amazon business owners feel like it's too little, while others think it's an awesome windfall.

It's not uncommon for your numbers to be skewed because you've been reinvesting in your business by purchasing inventory.

This scenario means your business is actually worth way more than what you'll see in your bank account from operating the business.

Do the math now to understand the real value of your business.

What is going to be left over after all of the expenses?

This will help you determine the best time to sell, or if you want to sell at all.



STEP FOUR

ENGAGEMENT LETTER



Okay, now it's time to make it real. After looking over the numbers, you're sure that it's time to sell your Amazon business.

Now it's time to review and sign an Engagement Letter with your brokerage firm of choice.

Engagement Letters are pretty simple, but there are a few things you need to know about them.

If you want to see a Quiet Light Brokerage Engagement letter, shoot us an email at inquiries@quietlightbrokerage.com and we'll be happy to share ours.

ENGAGEMENT LETTER DETAILS

Think of your Engagement Letter as a CYA for everyone involved in the deal.

Like any important document, read it carefully. Ask questions and follow all of the guidelines in the letter, both during and after you sell your Amazon business.

EXCLUSIVE PERIODS

Exclusive period defines how long you will be working exclusively with your broker. It means the broker can't sell the business without the help of the owner during that time period, and vice versa.

Exclusive periods shouldn't be too long. They'll differ depending on your business deal, but they should respect both you as the owner and your broker.

Quiet Light Brokerage has a 90-day exclusive period. That's because our listings are usually under LOI or sold within that time period.

If the 90-day period passes and the business isn't sold, the Engagement Letter should still allow for a continuing relationship.

Unless, of course, the seller decides to use a different broker or pull the listing entirely. At that point, the relationship with that broker ends.

EXCLUSIVE OR NON-EXCLUSIVE ARRANGEMENTS

Engagement Letters are kind of like a real-life engagement. They're 100% exclusive, which means you can't cavort around town with other brokers.

Now, some brokers might court you with non-exclusive Engagement Letters.

In our experience, this creates a whole mess of confusion. It opens up the possibility of brokers fighting over who earns a commission, with you stuck in the middle of the bickering.

Don't sow your wild oats here. Keep your broker relationship exclusive to protect yourself.

STEP FIVE

THE MARKETING PACKAGE

Putting your life savings on the line by selling your Amazon business?

With so much at stake, you need to come into this sale guns blazing. That means you have to make a good first impression.

Before you approach potential buyers, you need to know how to position yourself.

That's why Quiet Light Brokerage puts together a Marketing Package to help your buyers make an informed decision.

The Marketing Package generally includes:

- An executive summary
- An in-depth client interview
- Detailed profit and loss statements
- A recorded interview in both audio & video format
- Anything else that highlights the value of your business

CREATING YOUR MARKETING PACKAGE

The Marketing Package is about making your business look attractive to buyers.

But that doesn't mean you need to hide your warts. If anything, this is your chance to explain problems, hiccups, or troubles with the business.

I know it sounds counterintuitive to advertise your problems, but showing the ugly side of your business is important to making a sale.

Picture it: you get a buyer and have a Letter of Intent. At that stage they discover a huge problem with the business that they didn't know about. They leave the deal, which means you have to start all over.

You only want to do this process once. If you gloss over your challenges, the deal could fall apart later. You'll not only be back at square one, but you'll be worn out by now, too.

Full disclosure is a best practice that instills trust with the people who want to buy your Amazon business.

But don't worry. People aren't going to be gossiping about you. No buyers can view your Marketing Package without signing a Non-Disclosure Agreement (NDA) first.

Your broker will work with you on your Marketing Package. As your broker, it's our job to ask every question we think potential buyers would ask about your biz.

During a Client Interview, we'll help you write a Marketing Package that makes buyers excited to learn more about your brand. It also builds trust, which is important to getting an offer.

Keep in mind that there's a lot of work in this step. If your broker is worth their salt, they'll put you through the ringer. Quiet Light Brokerage will even do a recorded interview so your buyers can hear directly from you.

This isn't for the heck of it; the purpose is to do due diligence to keep your deal on track to close. If you rush this part, you're going to find nasty surprises later, which means you'll lose the deal.

Nobody wants that, so make sure your broker takes the Client Interview and Marketing Package seriously.

After doing the Client Interview, your broker will put together a Profit and Loss Statement in an Excel sheet.

This will include your monthly views, traffic figures, images, and other helpful tools that show your business's history and growth trends.

The Marketing Package includes a lot of things, but it's super-important for selling your business quickly.

Want to see a sample Marketing Package? Quiet Light has one that we'd be happy to share.

P.S. We'll need an NDA on file first (legalities and whatnot), but we can show you how we put marketing packages together. Chat with us at inquiries@quietlightbrokerage.com to get a copy.



The sixth step is to have conference calls with potential buyers. I know meetings get a bad rap, but you'll definitely be excited for these calls.

You need to chat with a potential buyer to get a Letter of Intent (LOI). Never, ever accept a LOI without speaking to your buyer. You don't want to do business with a total stranger, right?

This conference call helps you get to know the potential buyer. You'll get a feel for who they are and have more confidence in them.

Before you chat with the buyer, they will typically have a chat with your broker first. If everything sounds kosher, the broker will set up a call between you, the buyer, and your broker.

The goal of this call is to see if the buyer wants to give you an offer to buy the business. But hey, you need to be comfortable with the buyer, too. Remember that this is a two-way decision. If you don't like the buyer for any reason, you can reject their offer. No deals are ever one-sided.

The conference call is the last step before getting a LOI. However, there's some prep you need to do before the conference call. Here are a few quick tips on handling buyer conference calls with finesse.

HOW TO HANDLE CONFERENCE CALLS

1. Be Yourself. Let your personality come across. You'll be working with this buyer for a few months and they want to know what you'll be like. Chug some coffee before the call and bring your enthusiasm to the table. Be as helpful as possible on the call to instill confidence from your buyer.

2. Be Honest. For the love of all that is good, don't lie or exaggerate. Buyers do due diligence and lies will derail the deal. It can even open you up to legal liability. If there's anything troublesome or "off" about your business, talk about it openly.

3. Don't Take It Personally. Does the buyer sound rude, obnoxious, or uninformed? Don't take it personally. If they say something that's wrong, politely correct them. If you disagree with them, respectfully disagree, using facts to back yourself up. Your business is your baby, but remember this is still a business transaction.

4. Keep It Simple. Your buyer might not be familiar with your industry. Keep your speech simple. Avoid buzzwords and jargon. Explain things like you would to a fifth grader. Let the buyer take the lead on how technical the conversation should be.

5. Listen. Answer questions concisely and honestly. Turn the conversation back to the buyer with questions like, "Does that make sense?" Practice active listening and hear what they're saying.

6. Remember The Point. Buyers are going to hurl questions at you, and you won't remember all of the answers off the top of your head. The point of the call isn't to quiz you about your business. The buyer just needs to know if you're trustworthy.

7. Build Goodwill. Buyers often put their life savings on the line to buy your business. They aren't taking this decision lightly. Let the buyer know you care about the business and that you'll take steps to continue its success after closing the deal.

8. Don't Be Baited. Buyers might try to negotiate with you on prices or rates during this call. That's not your job to answer; that's your in your broker's wheelhouse. It's the broker's job to negotiate and, if necessary, be the bad guy. As the buyer, you just need to be helpful. You're going to have a relationship with the buyer after the sale, to keep things positive and upbeat. Don't negotiate on these conference calls; leave it to your broker.

STEP SEVEN

LETTER OF INTENT



In step seven we're starting to make progress on selling your Amazon business.

The Letter of Intent (LOI) is a written commitment from your buyer that they intend to buy your business.

The LOI lays out basic terms of the offer and deal points. However, this isn't a rock-solid guarantee that you've "sold" your business. This is just the first step.

Your LOI will lay out points like:

- Purchase Price
- Terms
- Closing Date
- Asset Allocation
- Non-Compete Period
- Training, Transition, Time & Period
- Escrow cost Coverage
- Exclusivity

A good LOI is a framework for your final and binding purchase agreement, which will come at the end of the deal.

By its nature, the Letter of "Intent" is non-binding. It's completely contingent on your buyer doing due diligence and having an Asset Purchase Agreement (more on that later).

HOW LONG WILL THIS PROCESS TAKE?

Turnaround time for the deal depends on your funding. From LOI to signing your Asset Purchase Agreement (APA) to closing, you'll see 30-45 days for cash transactions and 60-90 days for SBA-funded transactions.

Two weeks of that time is for due diligence. Then you have 1-2 weeks to draft, edit, and sign the APA. Then you move on to funding the escrow account and closing. Keep in mind that SBA takes a lot longer, but it allows you to get in on a month or two of revenue before closing, so at least there's that.

Aside from funding, you also have to consider how complex the transaction is. It's going to take longer if you're disorganized or late to turn things in, so make sure you're organized and have the right documents on hand to speed things up.

STEP EIGHT

DUE DILIGENCE



Due diligence isn't just a buyer deciding whether or not they want to buy your business.

Quiet Light Brokerage treats due diligence as verifying information after you've signed a Letter of Intent.

That's because due diligence goes deeper into looking at your Marketing Package. The general goal of due diligence is to verify key aspects of your business.

QLB does a deep dive for due diligence, using third-party data to back everything up. The due diligence period also gives your buyer time to review all aspects of the business without worrying that another buyer will come along and scoop it up.

You have an exclusive agreement with this buyer for 2-3 weeks. This is extended if you decide to go through with signing an Asset Purchase Agreement.



Due diligence will look at four key areas of your business:

1. Finances: You need to give enough information so your buyer can rebuild your Profit & Loss statements from the last 12 months. The data needs to be from third-party statements like Amazon, bank statements, vendor invoices, merchant charge statements, or tax returns.

2. Vendors and contractors: Vendor relationships are vital to acquiring a business. Help your buyer score the same favorable terms, discounts, and deals that you currently have with vendors. This helps maintain your Amazon business's value during acquisition.

3. Documentation: Buyers need to know what they're getting into. They want to know if your business is registered and if it has any pending litigation. After all, legal troubles can follow after a business sale. Asset sales usually prevent that, but the buyer still wants to see your paperwork. Dig out old incorporation papers to show you're free and clear.

4. Key reports: What Key Performance Indicators (KPIs) are you tracking with your business? You already showed these off in your Marketing Package, but now's the time to prove them. Use third-party documentation from your Amazon seller account or Google Analytics to back up your claims.

STAYING ORGANIZED **THROUGH DUE DILIGENCE**

Organization is going to keep you sane during due diligence. You want to be as prepared as you can to avoid digging for papers at 2 am. Prepping now means you won't have to cram in tons of work while you try to sell your business.

But you don't want to dump a huge amount of data on your buyer. Make it as easy to perform due diligence as possible. This is going to speed up the deal and do your buyer a solid, too.

Be sure you name your documents in a way that makes sense. Sort all of your third-party documents by date, like:

- **1.2019 AMAZON STATEMENT**
- **2.2019 AMAZON STATEMENT**

Your broker will put together a Dropbox or Google Drive folder to collect all of your documents. The buyer will be invited to view the documents once you have everything in place.

Check all the boxes on your buyer's "due diligence request list." This makes it easy to give them the info they need, quickly.

You'll probably need more documents than this, but this checklist is a good starting point. Remember, give your buyer everything they ask for!

- *Amazon statements for at least 24 months*
- *Bank statements for at least 24 months*
- *Merchant statements for at least 24 months (if the product is sold through an eCommerce URL as well).*
- *Vendor invoices or proof of cost of goods sold (COGs) for at least 24 months*
- *A complete lost of vendors with pertinent contact information. This may be withheld until the APA process has begun*

I'm not trying to scare you, but expect due diligence to be invasive and busy. Your broker will take the brunt of the workload, but you'll still need to be available to communicate and find documents.

DEALING WITH ERRORS **& DISCREPANCIES**

Hey, stuff happens. You might find an error during due diligence. Don't be disappointed; this is a good thing! It's best to find an issue during due diligence than afterward, when it could really derail your plans.

So let's say due diligence turns up a $10,000 error. That would reduce your income from $100,000 to $90,000.

TWO THINGS COULD HAPPEN.

1. Your seller walks away because the SDE figures don't look as good any more. Or, if they don't care so much about the numbers, sometimes they walk because they don't trust you. Don't let it hurt your feelings. This is business, remember?

2. You reduce the sale price by the $10,000 times the multiple of your business under the LOI to make things right. So, if your sale price was 3x in the LOI, you would drop your price by $30,000.

Remember, try to keep a level head. An error isn't the end of the world. This is a business transaction, so think logically and focus on the numbers.

This is why step 1 (Clean Financials) is so important. You can avoid errors and renegotiations by establishing an error-free purchase price in the first place.



STEP NINE

ASSET PURCHASE AGREEMENT

The Asset Purchase Agreement (APA) is the most important document you're going to sign when you sell your Amazon business. This agreement finalizes the terms from your Letter of Intent.

Curious what an APA looks like? Shoot a quick email to inquiries@quietlightbrokerage.com and we'll send over our APA template.

QUICK NOTE: An APA is different than a stock purchase agreement (SPA). An SPA is where you would share title to assets and liabilities. In an asset sale, assets are itemized in a schedule to your APA.

In a typical business sale, you would transfer assets like:

- ALL WEBSITE DOMAINS AND URLS
- ALL VENDOR CONTACTS
- ALL THIRD-PARTY SELLER ACCOUNTS (AMAZON, EBAY, ETSY ETC.)
- ALL SOCIAL MEDIA ACCOUNTS
- ALL POLICY AND PROCEDURE DOCUMENTS/ FILES
- ALL HOSTING ACCOUNTS
- ALL TOLL-FREE NUMBERS ASSOCIATED WITH WEBSITES
- ALL DOMAIN NAME ACCOUNTS
- ALL EMAIL ADDRESSES ASSOCIATED WITH WEBSITES
- ALL ECOMMERCE PLATFORM ACCOUNTS
- ALL REGISTERED OR UNREGISTERED TRADEMARKS
- ALL WEBSITE CONTENT AND FILES AND CUSTOMER LISTS
- ALL CONTRACTS (WRITTEN OR VERBAL) WITH CUSTOMERS AND SUPPLIERS
- ALL TRADEMARKS AND PATENTS
- ALL INVENTORY ON HAND OR ON ORDER AT THE TIME OF CLOSING
- ALL MARKETING MATERIALS



For APA transactions, your buyer might not purchase all of your assets. It's pretty common for buyers to exclude certain assets, so you should expect that to happen.



BUYERS DON'T ALWAYS

WANT YOUR STUFF

Quiet Light Brokerage recently listed an Amazon business that had (we kid you not) a class-B motorhome as an asset on its balance sheet. The business owner bought the motorhome to travel the country to boost her B2B revenue. She even had the logo of the business added to her motorhome to make things official.

The buyer wasn't particularly interested in the motorhome. Since it was an asset on the balance sheet, the motorhome had zero impact on the SDE and overall list price of the business, anyway.

When we were negotiating the purchase price of the business, we excluded the motorhome as an asset.

The buyer didn't have to pay for an asset they weren't going to use and the seller got to keep her rad motorhome. All's well that ends well.

Not sure if a buyer wants your stuff? These assets are most commonly excluded in Amazon business sales:

- Vehicles
- Furniture
- Fixtures
- Equipment
- Computers
- Leases
- Cash-on-hand or on deposit or in financial institutions (unless funds are a deposit or prepayment for undelivered goods or services of the business)
- Accounts receivable
- Security deposits of any kind
- Prepaid taxes that pertain to any period after the closing
- Tax refunds or rebates
- Insurance premium refunds
- Mobile Phones
- Personal property

After you've executed an APA with your seller, the magic happens. Funding finally goes through!

Funding goes through within a day or two of signing the APA. Your buyer will wire funds to an escrow account with an attorney or other trusted third party. Once the transfer hits, you can start transferring assets.

STEP TEN

CLOSING, TRANSITION AND TRAINING

Wow, what a journey it's been! You listed your Amazon business for sale, negotiated the price, and even survived due diligence. The APA is signed and the escrow account is funded.

Now it's getting VERY real that you're actually selling your business.

Unlike selling a house or a brick and mortar business, "closing" with an online business is done remotely. The broker will step aside at this point and let you and the buyer finalize things.

LET'S DEFINE "CLOSING"

Cue the record-scratching sound.

What does it mean to close, anyway? "Closing" means that you officially transfer the control of your assets (the ones listed in your APA) over to your buyer.

It usually takes a few hours to close on a typical Amazon seller account. Once the buyer controls all of the assets, both parties notify the escrow firm. Then the escrow firm releases the sweet, juicy funds to you.

TRAINING & TRANSITION

Oh, but closing isn't the actual end of the transaction. You still need to train during a transition period with your buyer.

The transition period will be defined in your agreement. The typical Quiet Light Brokerage APA defines training as "up to 40 hours over the first 90 days." But this will differ depending on how complex your business is.

This is why it's so important to have a positive relationship with your buyer. You're going to have phone calls with them after the fact. These calls are a lot easier if you're buddy-buddy with the new business owner.

Approach transition from a place of growth and helpfulness. While you're counting your Benjamins, the buyer is probably stressed to the max. Help them with the transition and things will go better for everyone.

Train the buyer in a way that is easiest for both of you. Sometimes that's via phone call, email, screenshare, and rarely, face to face.

But you can't devote all of your time to training and transition. That's why you should limit the amount of time dedicated to training. Keep a log of the time you spend on transition and training. Agree with your buyer on the amount of time you spent together so there are no disputes.

Most buyers won't use the 40 hours. That's because Amazon businesses aren't very complicated, so it's pretty easy for the buyer to learn the ropes.

The buyer will likely reach out to you with quick questions or opinions within the first 90 days. Do everything you can to reply quickly and offer guidance. The business might not be yours anymore, but a sour reputation will follow you around!

SELLING AN **AMAZON BUSINESS**

Six years ago, the idea of selling an Amazon business was unfathomable. Fast forward to today, and we're seeing eight-figure Amazon businesses sell for big bucks.

As always, Quiet Light Brokerage is here to help you. Regardless of whether you want to sell your Amazon business today, next month, or next year, we're happy to help you explore your options. Wait until the time is right for you to sell; we'll be here to help when you're ready.

Quiet Light Brokerage knows the ins and outs of selling Amazon businesses from personal experience. We've all built, bought, or sold a web-based business.

Our team has a unique perspective and we know what it's like to be a buyer, seller, and broker. the bottom line is that we're here to help.

TIP

"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.

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