## Internal Transition vs. External Transition – Part II - Example

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- An example of an internal sale: You sell your company for $1 million dollars internally over 10 years (the average amount of time that a internal transition is done,) then the company will bonus the employee $100,000 per year who in return pays this to the exiting owner who in return nets $0 for his company.

- An example of an external sale: You sell your company for $1 million dollars. The external buyer will usually pay 50% down plus a promissory note over 3 years. The exiting owner would receive $500,000 at closing plus $167,000 per year for 3 years. In this scenario, the exiting owner nets $1 million dollars.

| | Internal Sale | External Sale |
|---|---|---|
| Cash at Closing | $0 | $500,000 |
| Cash given to buyer to purchase company | ($1,000,000) | $0 |
| Promissory Note | $1,000,000 | $500,000 |
| | **$0** | **$1,000,000** |

- CONCLUSION: Past experiences have told us that owners would recommend to not do an internal transition again because of all the above considerations.

To learn more about the process of selling or making an acquisition, understand more about what we are seeing in the market and finding out what you could expect, contact us:

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