



SPI 348

How to Buy and Sell Websites with Empire Flippers Founder Justin Cooke

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Pat Flynn:

One thing that's interesting in business, and I've kind of noticed this ever since I started, is that there's a lot of sub-worlds within this world of business, right? There not only are bloggers versus YouTubers versus podcasters—and I don't mean versus like they're pitted up against each other, but I mean just there's different avenues of delivering content. There's also different avenues of business and niches, right? There's the health and fitness space, there's the entrepreneurship space, there's personal development, there's physical products and digital products, there's software, there's coaching. I mean, there's a lot of subspaces where within that space alone, there's some really interesting dynamics, some influencers, some knowledge and experiences, and yes, there are commonalities between all entrepreneurs in all realms.

However, I wanted to pinpoint a particular world that you may not know about. But it may be of interest to you because you may end up in that world, or it might be something that you might be interested in. So, what am I talking about? I'm talking about, specifically, the world of buying and selling websites and existing businesses. Now, we've had other people on the show before. Not too long ago, we had [Dan Andrews from Tropical MBA](#) talk about just the regrets that he had with selling his business, and we've had several people in the past talk about how they've sold their businesses and it opened up new avenues for them, and was great to get those things off their shoulders.

I mean, there's a lot of ways to approach business, and in the world of buying and selling businesses and websites, specifically, a business comes to mind, and that is the people over at [EmpireFlippers.com](#), and specifically, Justin and Joe, the founders, who I've known for a while. I got introduced to them, and Justin specifically, way back when I was doing niche sites back in 2010. And they sort of stopped just promoting these little tiny niche sites and selling those and buying those, and they've gone to much bigger, massive websites. And if you go to [EmpireFlippers.com](#), you can actually see the websites that are for sale. They also help broker any selling that you might want to do of your website. You can kind of gauge to see what is on the market out there, how much

these websites are being sold for, sometimes for the millions.

And today I have Justin on the show to talk a lot about the lessons learned and some of the things that we can look out for, especially if we have potentially an exit plan in our future, or if you are interested in getting started, not from scratch, but piggybacking off of the success of another business and buying their website, so a lot of interesting dynamics here. So, before we get to Justin, let's get to the music.

Announcer: Welcome to The Smart Passive Income Podcast, where it's all about working hard now, so you can sit back and reap the benefits later. And now your host—he's a three on the Enneagram Scale—Pat Flynn!

Pat Flynn: Hey, Pat Flynn here. Thank you so much for joining me in Session 348 of The Smart Passive Income podcast. If you haven't been here before, thank you so much. I hope you enjoy the episode and [subscribe](#), because we have a lot of great content, not just in our backlog, but coming your way, too, especially as we close in on the end of 2018 here and move into, quite quickly, 2019. We already have a great lineup and have recorded a number of episodes for next year already, so make sure you hit [subscribe](#). My name is Pat Flynn, here to help you make more money, save more time, and help more people, too.

And today, to help us, we have Justin from EmpireFlippers.com. And again, I've known Justin for quite a while, haven't really been keeping up with what he's been up to, so it was really interesting to have a conversation with him today to see how his business has changed and where his focus is. And he and his partner Joe and his team, they're dedicated to helping you, if you're interested in ever buying or selling a website, through every step of the process. It's not just kind of like a thing where you can just flip a switch and boom, everything's ready to go. There's a lot of due diligence that's required.

Flippa.com is another website that kind of does the marketplace thing, but you know, you don't get the kind of sort of attachment and the ability to have conversations with people like Justin and Joe. And of course, it's nice when you have people in your corner who can help you through the process. So, sit back, listen in, we have a lot to talk about today. Here is Justin from EmpireFlippers.com.

Justin, welcome to The Smart Passive Income Podcast. Thanks so much for being here.

Justin Cooke: Thanks for having me on, man. Appreciate it.

Pat Flynn: So, your business, EmpireFlippers.com, is a very interesting business, because you are essentially a marketplace for people who want to buy and sell websites. How did you even get into that?

Justin Cooke: Yeah, so a very long time ago, we started a website online, this is back in 2010, called the AdSense Flippers, and we were AdSenseFlippers.com. And my business partner and I started building these small little AdSense-based websites, and we followed a lot of people online, including Smart Passive Income, was one of our resources for kind of getting started, and we started building these small websites that made \$40 bucks a month, \$100 bucks a month, \$200 bucks a month. And as we were kind of building them out we realized, these are like, mini assets. They are investable assets.

So, we said look, would people be interested in buying these? And so, we started to list them for sale and see if anyone in our audience was interested in buying them, and people started buying them from us, which basically fueled our growth.

Pat Flynn: That's amazing, yeah. For anybody who's been following me for a while, you've probably heard of AdSenseFlippers.com, and Justin and Joe were the two people who were working there. How big is your team now, now that you've kind of switched to just, a more general website, to EmpireFlippers.com?

Justin Cooke: Yeah, Joe and I, we had an outsourcing company that was kind of like our main breadwinner, and at the time we had I think twenty people in the Philippines. And we actually ended up selling that company off over the years. We've grown to now just over fifty people, so we still have about eighteen people in the Philippines, and we have thirty-two or so from different places: New Zealand, Australia, mostly Americans.

Pat Flynn: Amazing. Love it. So, let's get into it. I'd love to talk about both the sort buying of the websites, and then we can shift over to selling the websites. So for anyone in the audience who may have a website that's kind of just sitting there, you're kind of tired of it, or we'll get into the reasons of why you might want to sell, and I'd love to hear your perspective on that in a little bit, Justin. And then perhaps you might want to check out Empire Flippers to kind of sell.

But I'd love to hear, from a buying perspective. We've talked a little bit about buying websites to kind of get a headstart on your passive income journey and business building journey, but we haven't talked about it in a long time. Today, why would we want to buy a website? Or why should we even consider that? And kind of what price point are we looking at and what do we get for those price points?

Justin Cooke: Well, to be fair, there's a host of people that shouldn't buy websites or online businesses, or at least not yet. I was talking with my aunt, we were on a vacation a while back, and she was really interested in kind of what we were doing, and she kind of knows that we sell these online businesses, and she was really curious about the returns. She just recently retired, and she was kind of looking for something to do that could potentially earn money, and she was really excited about potentially buying a business from us. And I had to tell her, I love my aunt, but I had to tell her, "Teresa, this wouldn't work for you. You don't have the skills to run an online business," based on knowing her and the conversation. So, she could learn those skills, but she's not there today. So, this really isn't for everyone. It's not fully passive in that you put your money in, sit back, and watch the cash rain down. It doesn't work that way. But it

can be, if you're putting the work in now, you can see heavy returns later on the businesses that you're running.

So, just to get back to who buys these businesses? There's a host of people. We actually kind of gave them profiles. So, for example, there's the Lifestyle Larry. And Lifestyle Larry might be working a nine to five, like a mid-level manager in the US, and he just would love to sit on a beach and work ten hours a week and build out his website. So, he's saved up some cash, wants to quit his job and effectively travel, and is looking to buy a business like this. You have the DIY Daves, who are like, tinkerers. I mean, maybe they've built out a few websites themselves, they've had some success, but they're really good at tweaking. Maybe it's conversion rate optimization or something else that can really add traffic and ultimately earnings to the website. So, they buy a site looking for something they can actually improve on. It's not enough traffic or it's not converting very well, and it's something they can actually take a stab at and take a bite at. Does that make sense?

Pat Flynn: Yeah, totally. I like that. I like how you categorize them. Now, you had mentioned . . . First of all, thank you for being honest about, hey guys, this isn't like something you can just buy and sit back. It's not like that. It's something that requires skills. What are those skills that are required for somebody who's buying a website and wants to do something with it?

Justin Cooke: So, it depends on the kind of business that they purchase, right? So, kind of the straightforward first-timer type websites would be like an Amazon Associates site, right? This is a site that's affiliate based, pays via Amazon, and it's relatively straightforward. And then some of the more complicated businesses might be the ecommerce businesses that have many different skews, many different products, and you have to ship the products from China in your container to your warehouse. Those are much more complicated. But the affiliate sites, for example, kind of the starter sites, you have to be proficient at I'd say keyword research, a little bit of SEO, you need to understand WordPress management, a little bit with how to work themes, and how to write copy, to some degree. So, those

are some skill sets that you can definitely learn. I think with a couple months of digging into it, it's something you could get down. But starting from scratch, it'd be difficult, I think.

Pat Flynn: Yeah. Now, I'm curious, for example, you mentioned like an Amazon associate site that is making money through affiliate marketing. Let's say that for example, it is making about \$1,000 a month with Amazon Associates. How much might that cost to buy? And I know it ranges, and there's various other aspects of websites that kind of factor into the cost, like how long it's been around and the domain authority and a lot of other things, I'm sure. But how much might one expect to buy a website for that's earning \$1,000 a month?

Justin Cooke: So, all the businesses we list and price and sell are based on a multiple of a net monthly profit, right? And so a net monthly profit, for the sake of this, let's just say, it's on average over the last twelve months. We can go less than twelve months. Let's just say twelve months.

Pat Flynn: Got it.

Justin Cooke: So, it's making \$1,000 a month. You'll apply a multiple to it. And generally, that multiple ranges from twenty times up to fifty or sixty times, depending. So, it could go anywhere from \$20,000 to \$50,000 or \$60,000 at the very high end. Now, you know the next question is what's the difference, right? What's going to get my site to sell for \$20,000 versus \$50,000? A host of things go into that, but ultimately it comes down to risk, right? So, if the buyer's looking at the business and they have a sense that it's going to be a riskier purchase for them or it actually would be a riskier purchase, it's going to be at the lower end, twenty, twenty-five-X. If it looks much more solid, and this is due to a range of things, it might go for thirty to forty times net monthly profit.

Now, to get up at the upper ranges, you're looking more at recurring revenue. It's got a steep trajectory, it's in a really hot niche, you might get fifty-X or so. I think the largest we sold was right around fifty times net monthly profit. So that's getting close to the

edge, but generally, you'll find they go somewhere between twenty-five and thirty-five-X.

Pat Flynn: Got it, okay. Now, I'm just going to put myself in a hypothetical situation. I see a website, it's doing some Amazon Associate stuff, and I pay \$25,000 to get access to this, and I'm sure there's a transfer of who owns what and whatnot, and let's say I, for a couple months, am still seeing the income coming in as it was coming in before, which is what I paid for, but then it starts to kind of decline. I'm sure this happens every once in a while, and it could be due to a number of factors, whether it be seasonal with Amazon or keyword rankings in Amazon or keyword rankings with Google. Are there any safety things or guarantees that are involved with buying websites? Or is it kind of like . . . It kind of fees like gambling a little bit, I'm assuming. I mean, can you speak to kind of that aspect of it?

Justin Cooke: Yeah, it's completely up to the buyer. So, there are no guarantees. We've thought about or talked about some kind of insurance policies we could put in place, but ultimately decided against it. But it's due diligence, it's the responsibility of the buyer to make sure they're buying a website or an online business that works for them and that they can work with. It does happen that Google rankings take a hit. It happens where your Amazon Associate account could be shut down. It happens where buyer neglect, where the buyer's neglected the business. And that definitely happens to some of the businesses.

So, we've kind of gone back to buyers previously and tried to get a sense of what happens to the business. We did this recently. I forget the exact numbers, but some of them had a heavy decline after twelve months, some of them significantly grew the business, and a lot were kind of in the plus or minus 15 to 20 percent range over the course of a year. So, I mean, there is heavy risk, and it depends on the type of business and what those risks are. So, Amazon Associates website—I mean, the chance that Amazon could shut you down, your Google rankings could take a hit, negative SEO, there are a lot of risks there. With ecommerce, it could be that your

products are a fad, that say if it's FBA, that someone overtakes you in rankings, that you get some negative reviews. Lots of risks that are very unique to online businesses. It's not that offline businesses don't have risk. They have risk, too, it's just that the online business risks are different.

Pat Flynn:

And then on the other side of the coin, what are some things that new buyers of new . . . of websites are doing to increase those businesses? I mean, there's obviously a wide range of things they could do, but in your eyes, if you have that info, what are the small and/or big tweaks that they're making after they purchase a website that seems to be giving them the most bang for their buck?

Justin Cooke:

Well, what's really interesting is a lot of sellers are going into the sale—sellers have lots of different reasons for selling. But one of the reasons that they sell is they go, "Look, I've maxed out this business." Let's say they get it up to \$8 – \$10,000 a month and they've done all the conversion rate optimization. They have done all the SEO, like it's ranking really high on the first page for some of their major key terms and they are like, "This is as good as it's going to get. I might as well cash out now while it's peaking." So what happens is you have a buyer that comes along and goes, "Wow, I normally don't buy businesses that are making less than \$10,000 a month, but I'll work with this one. It's making \$8,500 bucks a month, it's close enough."

They've got a whole different skill set. So with them in particular, they've . . . they're, let's say, great at driving Facebook traffic, whether it's paid or organic. They've got a really large . . . I don't know, Instagram page with . . . and they've got an influencer list that can really help with that ecommerce product. So they're buying it, knowing that they can take it to . . . in the next twelve, eighteen months, they can two or three X it, and thinking it's just barely big enough for them to finally take a stab at it. You've got this disparate kind of view on where the business is from the seller and the buyer. That's one of the reasons, I think, we're in business, is because of this lack of understanding on both sides.

Pat Flynn:

Awesome. No, that's . . . and this is such a interesting thing to consider. Like, "Hey, I don't have to start from scratch, I could buy something that already exists and perhaps put my skills to use in there."

I've actually never shared this with anybody so I'm going to share it now because it does relate to buying websites. I've actually purchased an existing website once before, and this was back in 2010 I think, I believe, and I purchased it on another website where there's like a marketplace and stuff, and it was only making a couple hundred bucks on AdSense and it was about a twenty-times multiplier. I just wanted to kind of see what would happen. I did a couple easy tweaks on it and . . . It actually wasn't a WordPress site, so I did switch it to WordPress. I optimized it a little bit and then I did a few tweaks and I was able to increase the AdSense earnings by like 30 percent.

But over time it just started to drop off. I had meant to . . . I was considering having that be a case study where I talk in major detail about it, but it just wasn't interesting to me because it just . . . I felt like, that my business or my personality was not in it, and I probably could have put it into it, but that's a hard thing. I like to teach business in a way where it's like, okay, you are somebody who's connecting with your audience, but when you're buying a website that already exists, is there any worry with those kinds of businesses or kind of more personal, brand-type situations for a buyer? Like them trying to inject themselves into an existing business that's been around for awhile. Is there some challenges in there or benefits to doing that . . . doing it that way? I'm just kind of thinking out loud here based on my own previous experience with this.

Justin Cooke:

It's really difficult to sell businesses that are heavily personally branded. Let's say that someone's coming in and they've got a really popular YouTube channel and that's a big part of their brand and their identity and the business, and they're looking to sell their business. That can be very, very difficult for someone to take over. Typically, it's a much different transition. They have to bring

someone else in. They both . . . let's say there's a podcast, they now bring on a cohost and they cohost the show for awhile. They're going to have to license the use of their name for some period of time. So in terms of like, selling a business that has a personal brand, it's doable, but it can be really challenging. We've found it difficult to sell those businesses and when we have, it's been kind of an . . . it's been stuck in earn out. It ultimately turns into a partnership for some period of time. It's not a clean sale.

In terms of injecting your brand into a business you purchase, I mean, it sounds like to me that the website you bought just didn't really . . . it wasn't interesting to you, so you didn't have a lot of interest in kind of like, driving it or continuing with that and it kind of died out.

Pat Flynn: Yep.

Justin Cooke: That's something that . . . That's kind of a good time to sell. Joe and I, my business partner, we've had situations like that where we had, in the past, we had websites or online businesses that we just weren't kind of sticking with it, and you know this, but the way websites and online businesses generally work, because you have to put some thought, effort, and energy into it . . . So we let these businesses die. For example, one of them was a Twit-art business. It was, it delivered Twitter background designs. This is way back in the day, but it delivered Twitter background designs. And I think at one point, and this was before we had a marketplace to sell online businesses.

It probably would have been worth maybe \$70 to \$80,000 and then ended up dropping down to maybe a thousand bucks a month or maybe under. I think we ended up almost giving it away or selling it for maybe \$15 grand or something much, much less than we could have. That was just because of a lack of focus and interest in continuing the business. If you find yourself kind of bored with your website or over the website and you're just not giving it the time and attention it deserves, it might be a good time to think about selling.

Pat Flynn: Yeah, that's a great point. And you're spot on. I just bought it because the numbers looked good and I was like, 'Yeah, I could probably optimize that.' And I did, and it just didn't make sense for me to put my own personality into it and I just lost interest, and that's why the website died a little bit. I think that speaks to an interesting question that I have, which is how much do you buy for the numbers versus how much do you buy for your interest? I'm sure there's going to be people who are in this business of buying websites to literally flip them. To buy them and do like they do with houses, which is tweak them, optimize them, then resell them, perhaps even in the same market. I'm sure you've seen that, but how much should we consider before buying something, our just interest in that particular topic?

Justin Cooke: Well, in general, when you're buying and selling a website or online business, it's surprising how emotional it can get. You wouldn't think of it that way. You think that, "Oh, well, it's a buy the numbers, here's my multiple, here's what I'm willing to sell for them," and then you just negotiate the dollar amount. That's not right for like five and six figure sales. It is on like seven figures because you have . . . generally, you're dealing with professionals. I don't know another way to put it, but these are people that kind of do that for a living, but in like five and six figure range, I mean, you're talking about selling your baby, like something you put blood, sweat, and tears into. If you're buying it, you're putting in a lot of money. You've worked hard to save all this money and put it on the line and to risk it for this business.

So there is some emotional connection to that. Whether you're buying or selling, it does and can get emotional. That's, I think, one of the benefits of working with brokers, that they kind of take that out. It's not very emotional to us. Our team, our sales crew, our vetting team, they don't . . . they're not emotional about it; it's purely a transaction.

So we're able to kind of help with that. Yeah, in terms of letting go of a baby and looking for businesses that you can add value to, I'd worry less about being passionate about the business and more

like what kind of skill sets you can bring to it. If you have a skill set that's uniquely valuable to that business, say that it's heavily run by Facebook ads and you look at the business, you look at the Facebook ad campaign, you're like, "Oh, I can do way better here." Like you're bringing a unique advantage to that business that the seller didn't have. So I think it's really helpful to find your unique advantage and put that to use.

Pat Flynn:

I think that's a great transition into now let's kind of focus on the selling of the website. A person . . . and you talked about this a little bit, but we had a conversation on the podcast with Dan Andrews, who I know is a good friend of yours as well, from TropicalMBA.com. He was in [Episode 329](#) and that episode was really, really . . . he was just very vulnerable about the selling of his business, which was very successful and he cashed out on it. He did very well with, on paper, with how much money he had earned from that, but he felt like, just life was not the same and things were . . . something was missing. He was very depressed about the sale of his business, and so I would love for you to speak to those who are potentially . . . they have a website or they're sitting on a website and it's making money for them and they want to cash out on it. What kinds of questions would you ask them to make sure that yes, this is the right decision for them?

Justin Cooke:

Yeah, it's really interesting in Dan's case because he was thinking about obviously the money, they were thinking about obviously they had a lot of cash tied up in inventory. For them, it was look, let's see a return on this investment. We've had to deal with all this inventory and this growth we've had to put in this ecommerce business. Let's see some kind of return on it. They liked the money. And what he mentioned was that he hadn't thought about the other benefits. The benefit of having some level of . . . I don't know. Being someone that's a practitioner in the industry. I mean, he talked to a lot of kind of ecommerce people, would explain to them what they did in their business and how they were successful. So not being able to do that, not being able to stand on stage with the business they're running, it . . . I think it affected him, affected him personally, I think affected him psychologically. It was a sad loss for him, I think.

I think that that's a really interesting perspective for sellers to consider before they're going to sell their business, is that . . . what are they going to do without that business? Because it's not going to be there. It's not going to be earning . . . giving them the cash flow they're getting today. I think, ideally, they should have some kind of plan for what they're going to do after. To be clear, this isn't a requirement, we don't require that they tell us what they're going to do with it or have a plan for afterwards; but it is, I think, something interesting for sellers to consider because they're going to get this payout and this lump sum of money is going to come their way.

How are they going to put that money to work for them, whether it's into another business, or into some investments? What are they going to do with that, because if the cash flow stops . . . what do they do then? So I think that's a pretty important consideration. But we also—and we often run into sellers who don't have the passion for the business anymore and they're running another project and that's something that they are passionate about. So they've started up a new FBA business with a product that they had been always wanting to build. They've got this Amazon associate site that's totally unrelated that they used to run as kind of their starter site, the thing they first started off with. They really need cash for inventory for this FBA business. FBA businesses are cash hogs, especially when they're successful, because they're constantly dumping money back into inventory. They may need that fuel to burn for the FBA business and that's going to give them the advantage of growing very, very quickly and expanding a business that they are passionate about, if that makes sense.

Pat Flynn: Yeah, I mean I think that's a good point and one of the reasons why it might be the right time for somebody to sell. Are there any other things or sort of triggers or signs that it might be a good time to start thinking about selling the website that you have?

Justin Cooke: I mean, a lot of times people, they want to sell at the peak but they end up selling for more personal reasons. So we've had people selling their business that they were looking to adopt, and

adopting's expensive and they needed the cash and it was like \$30 or \$40,000 to adopt. That's why they were looking to sell this website that husband and wife had created together. Other times, it's for less positive reasons and they're going through a divorce, or maybe a business partner divorce where things are not great and they need to split up the business and go their separate ways. It's not always selling at the peak that kind of drives a seller's motivations. I think it's helpful . . . and I'm switching hats here, but I think it's helpful for buyers to ask about that.

The easy answer, and you'll see it, we mention it quite often on our listings, is that the seller is looking to put the money into other projects. That is probably the most common answer, but it's worth it for the buyer to dig into what a seller's real motivations are. It's kind of like peeling back the onion. If you can peel back the onion and get to the actual core, their real reason for selling, that's going to put the buyer in like, a good strong negotiation position because they'll know kind of what's going on with the seller and kind of their motivations, and they can use that to their advantage when they're negotiating the deal.

Pat Flynn: I like that. That's really smart. Now, you had mentioned selling at the peak. This is really interesting to me. How do you know that your website is at its peak? How do you even begin to understand that?

Justin Cooke: Yeah, that's the question. That's the thing that I think a lot of sellers get wrong or they misunderstand. I said this earlier about, you see your business kind of climbing in earnings month over month or quarter over quarter and you see that it starts to, let's say, level out. It might be leveling out because let's say it's an Amazon associate site and you're finally on the first page. You're in the . . . your major keywords are in the top couple of slots. You're really kind of maxed out in terms of your SEO. So you're saying, "Okay, I see my earnings, the growth rate, the trajectory is starting to level out a little bit. I think this business is starting to peak. I think it's time for me to get out."

What they don't realize is that by opening up another traffic channel or maybe monetization channel, there is a lot more earnings to be had in that business. So a lot of sellers kind of . . . they think . . . they're all, "Well, I think I'm peaking," or, "I think things are starting to level out," and what they don't know is that's just a kind of a slow period, or it's maxing out for them, but it's not maxed out from the buyer's perspective when they add whatever traffic source they're going to add to it. So, no, I think that's something that people get . . . Sellers get confused about thinking their business is potentially peaking or it's toward the top, and they don't really know. I mean, that something they think, but it's not necessarily true.

Pat Flynn:

Yeah I mean, I can imagine, for example, selling a website, considering it at its peak. I've exhausted and optimized it. It's as good as I think it's going to be. And then I go and check on it later and then I happen to find out that it's triple the income. It would be like, "Oh my gosh, what did I do? I lost out on the opportunity." Do you have any advice for somebody selling a website, to detach themselves from it in case something like that were to happen? I mean, I think there's some just, internal discipline to not worry about it anymore after you sell it, but I mean, how could you not? Any advice there for us?

Justin Cooke:

Yeah, well, some people are excited to see someone kind of take their baby and run with it and have it be super successful. So if they two X or three X over the next year or two, they're really excited because they're like, "Look, I started that project and it's continued on. I'm happy with the cash I got out of it. And I'm good."

Other people have probably a little more like you or I, where they might look at it and go, "Wow, I did not maximize my earnings on that one. I should have sold for more. It's worth a lot more. I can't believe I did that." So there is a little bit of that as well. One of the things you can do is, as a seller, you can retain some equity. So that is something we actually allow. So let's say that the seller knows this business is just on fire, right? They know their business on fire, but they're forced to sell because their other business is growing faster and it just, it's the better move. So they have to sell this business but they want to keep a piece of it. Right? They're like, "I

know this business is going to three X in the next couple of years. I want to keep a piece.” So maybe they keep 20 percent equity and the buyer is willing to do that because they want to go back to the seller, let’s say once a quarter or every other month, and do a call with them and ask them questions about kind of the growth strategy.

So from a buyer’s perspective, it’s a way to keep the seller invested and kind of bought into the growth of the business. So they’re kind of right there along with you. It’s also a way for them to get the business at a discount. If the seller’s really adamant about that, they might be able to pay 75 percent cash and the seller keeps 20 percent equity. So, they may be able to get a discount above and beyond what they’re leaving with the seller. And it’s a way for the seller to remain involved.

Just, as a seller, know that if you do that, that if you keep 20 percent equity, you’re now effectively partnered with someone who has a majority stake in the business.

Pat Flynn: Yeah, it’s a good point.

Justin Cooke: Right? So they’re calling the shots. They’re making decisions. So you have to trust that partner that you’re getting involved with, right? So, if it’s, “I’m done, I need to get out,” then just sell your business. Don’t do that. But if you really believe that there’s long-term value and you believe that buyer can get it there, sometimes seller retained equity is, can be a good move.

Pat Flynn: Yeah, that’s.. Man, there’s so many aspects of this that I hadn’t even considered. I’d love to finish off by giving you sort of a case study example, a faux experiment. You know I have a website, FoodTruckr.com. It was a niche site that I had started in 2011 and it’s been doing pretty well. It’s been making money through its own products. It’s ranking really high for certain keywords. We, internally, have talked about selling it at one point or another and so, hypothetically, if we wanted to sell this thing, what would we need to have or show or prepare to maximize the sales price for this thing?

- Justin Cooke: Gotcha. Okay. The business's been around what, like four or five years, is that correct?
- Pat Flynn: Four, five years. Mm-hmm.
- Justin Cooke: Okay, cool. Is it growing? Is it declining?
- Pat Flynn: It's been pretty steady. It's been growing with income or it's been growing in traffic just because of the nature of the industry, but we haven't been pushing so hard, probably as much as we could with ads and such to the products that we have.
- Justin Cooke: Gotcha, okay. I mean, whether it's increasing, decreasing, or steady, there are buyers all over the place. Some buyers love heavily increasing businesses that are like, super hot and they'll be priced on maybe the last three to six months because a shorter time frame just kind of make sense. But they're really interested in those. Other people hate those. They're like, "That's too risky for me." If it's growing that fast, it can decline that fast. They're not interested. Other people love declining businesses. They're like, "Oh, I can turn this one around. I'm going to get it at a discount." So, there's people that look for all types of businesses.
- So if you were looking to sell that business, one of the first things you can do is we have, it's called a Valuation Tool. And if you enter your information, enter just the actual finances and kind of the info behind the business—takes maybe five, six minutes—it'll give you a good range and then a typical range on what that business would actually likely sell on our marketplace. So that's a good place to start, to get an idea. It takes only a couple of minutes. Get a sense of what that business would sell for.
- If you did actually decide to list, you said, "You know what, I'm going to go ahead and list this business," you would submit the business. It takes maybe fifteen minutes or so. You'd need to get some numbers together. We need to know, last twelve months average net profit, last six months, last three months. And then we need some other information about the business. It's pretty

straightforward and maybe fifteen minutes or so to put together. And then once you submit, you would go into our vetting process, which generally takes anywhere from a week and a half to three and a half weeks, depending on what type of business it is. This business in particular would probably take let's say two weeks.

And we ask you a whole bunch of questions about that business, and that's to do a couple things. That's to give us more information to help sell the business; in other words, we can take that to potential buyers who are interested. It's also to actually vet and verify all the information that you presented. So you've given us just, "I say that the business makes this," but we need to actually verify that it actually has made that. And so we'll walk through, with your team, the actual earnings and the actual traffic, to make sure that it's doing and earning what you say it does. And then, if and once it passes our vetting process, it'll go live in our marketplace and then we'll market it out to our audience. And we put it in a whole bunch of—we syndicate it to a bunch of different places and we'll put you out there and you'll start fielding interested buyers.

Pat Flynn: Wow. That's real interesting. Where can we get access to the calculator? I think that'd be great, if anybody's interested in potentially even just seeing how much their website might be worth, if you have a business up and running and making some money. Where can we go to see that?

Justin Cooke: Yeah. I'll give you the link. You can put it the show notes, but just go to EmpireFlippers.com/valuation-tool, or just go to EmpireFlippers.com and on there you can see Valuation Tool and you can take a look at what your business might be worth.

Pat Flynn: Oh man, that's really interesting. Definitely got my gears turning, but I love that there's a vetting process. So twelve months average net profit, six and three. Obviously like, traffic reports and all those kinds of things. So just kind of the usual stuff that you might expect, but obviously if you are interested in selling, I mean, go to EmpireFlippers.com. That's where you would want to go and start.

Justin Cooke: Yeah. We would get all the proof of income, proof of traffic, put that together. Once you're actually listed on our marketplace—and this is I think where people get the idea of like, “Well, maybe I can just sell the business myself.” And I think this is kind of where our value really kicks in, is that we have a sales team there that is helping to field all the inquiries. So, there's going to be a lot of tire kickers and time wasters and people just kind of sniffing the business out. We have a team that kind of goes through all those inquiries and fields them out, weeds them out for you and then only sends actual interested parties.

And then when we, for larger businesses a hundred thousand plus, when we have an interested buyer, we actually get on the call with both the seller and the buyer. And we do what's called a buyer-seller call and that includes our sales person doing a prep with the seller, doing an actual call and driving that call. And then doing kind of a post buyer-seller call . . . A call with the seller to kind of review and discuss what they can do on the next call and what they should expect. So, after that, let's say that there's a deal made, we actually help with negotiations in terms of, a lot times there's negotiation on price, but also on terms. Like, is there going to be an earn out? What's that earn out going to look like? How long's it going to take? And then all the way through the actual migration of the business.

When someone buys a website or online businesses from us, we migrate the business from the seller to buyer. A lot of times we'll hold the money and hold the business while we transfer that over to the buyer. And we give them a two week inspection period. So they get a full two weeks to kind of review the business, make sure it's earning what it's supposed to be earning, make sure they have access to everything. Once they sign off, then we ultimately pay out the seller and close the deal up. So there's a lot of things in there that, I think, if you're doing it on your own for the first time, it can be challenging, right? You don't do this every day. It's not something . . . You don't sell your babies every week. But it is something we do regularly and can help with.

Pat Flynn: Well, man, this has been super helpful. Thank you so much for coming on and giving us all this amazing knowledge and something to think about, whether now's the right time or perhaps later. Maybe it wasn't even anything you were thinking about. This will give us some really good head starts on how to do this the right way, whether we're buying other people's websites or selling our own. So Justin, thank you so much. Big shout to Joe as well, who wasn't joining us today, but tell him I said hello. And if you have any other resources, or where else can we go to get more information to kind of learn about all this?

Justin Cooke: Obviously check out our website—EmpireFlippers.com. We have a blog there and then you can check out our podcast, [Empire Flippers Podcast](#). It's on iTunes and Stitcher and all the usual places.

Pat Flynn: Awesome man. Thank you so much, I appreciate you.

Hey, I hope you enjoyed that episode with Justin from Empire Flippers. If buying or selling a website is something of interest to you, then I would definitely recommend you schedule a call. And that's what they want. If this is something of interest to you, whether now or in the future, all you have to do is go to EmpireFlippers.com/smart. There's a button there for you, specifically, the listener of SPI, to go and do a little consultation with them. They're going to help you through the process, see if it's even the right fit for you. And that's what I love about what they're doing. It's not for everybody, but for those of you who want to go down that road, whether it's again, buying or selling a website, they're going to help you make sure that you are taking the right steps and are taken care of along the way. So EmpireFlippers.com/smart, that's all you need to know.

And again, if you want the show notes and the links and the resources mentioned in this episode, all you have to do is go to SmartPassiveIncome.com/session348. And the link to the call, the link to everything else that was mentioned, is there on that page. Again, SmartPassiveIncome.com/session348 and for the call, EmpireFlippers.com/smart. Thanks again so much. I appreciate you for taking the time to listen in. Make sure you hit [subscribe](#) if you

haven't already.

The next couple of episodes, the last two of the year, are going to be ones that kind of wrap up the year, some of the lessons I've learned, and give you an idea of the things that are coming your way, and hopefully give you some good advice and goal setting things that can help you as you transition into 2019. And, hey, cheers, enjoy the holidays. Enjoy the time you have with the loved ones around you. And I just want to say I love you guys. You guys are amazing and thank you for sticking around, listening in, and especially those of you who have listened to the show for nearly ten years now. I think we're approaching that number very quickly which, I heard somebody the other day say, "Pat, you're like a classic. You're a legend in the world of podcasting." And I, at first wasn't quite sure how to take that. I'm like, "Well, that makes me just sound really old." But it's kind of cool. I like it, actually. So thank you.

I appreciate you so much and I'm so thankful for all my students who are now podcasting who give me credit for helping them with their start, and just all of you for helping and supporting along the way, even if you're kind of just sitting back listening to the show and you don't leave reviews, you don't leave comments, you don't even visit the website. I appreciate you, too. The fact that you're listening and taking time out of your day to listen makes me feel really happy and it motivates me to keep going. So, if you haven't listened to the show before, that's the kind of person I am. I do this for you.

Hit [subscribe](#). Cannot wait to serve you in the next episodes. Cheers. Take care and have a good one. Bye.

Announcer: Thanks for listening to The Smart Passive Income Podcast at www.SmartPassiveIncome.com!



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RESOURCES: [SPI 329: One of the Most Important Business Conversations You Need to Have with Yourself—with Dan Andrews](#)

[FoodTruckr.com](#)

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