



RUNNING A PROCESS GETS YOU THE BEST BUYER FOR YOUR BUSINESS

A BUSINESS ACQUISITION & MERGER ASSOCIATES WHITE PAPER



**BUSINESS ACQUISITION
& MERGER ASSOCIATES**

Business owners are constantly making decisions. You hire employees. You fire employees. You change suppliers. You determine the overall growth plan of your company and eventually, you make the decision to sell. Once you decide to sell, how can you be certain you select the best buyer and receive the best price and terms for your business?

The short answer – run a process.

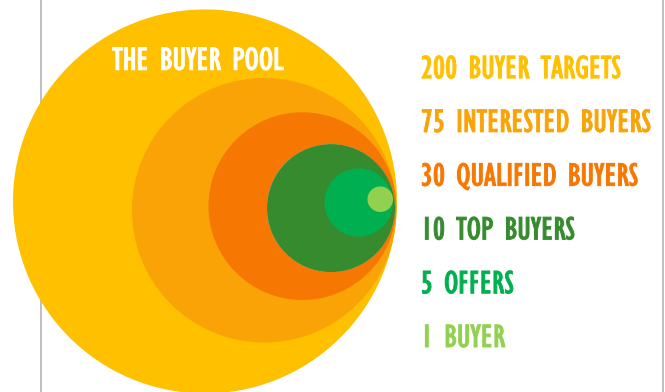
Running a process brings you the best buyer for your business.

But you're not here for the short answer. Here are 7 tips that prove running a process is key to a successful transaction:

1. **Hire the right M&A firm.** It is a time-consuming process to market your business, vet buyer candidates, support diligence requests **and** stay focused on running a profitable business. The right M&A firm educates you on process and valuation so you understand what the market will pay for your business. They don't throw out a 'pie in the sky' number to get you to sign up and then are unable to deliver on the valuation promised.

A good advisor wants you to stay focused on your business while they qualify the best buyer candidates. The right advisor proactively targets hundreds of buyers for your business and culls the list down so that you are only engaging with the top prospects. You shouldn't be talking to 30 potential buyers; you should talk to a top 10 list of potential buyers.

You don't have time to reach out to and qualify the 75-100 buyers inquiring on your business. Focus on solid business performance and leave the buyer qualifications to your M&A firm.



Stay out of the orange zone process and get involved when buyers are in the green zone!

2. **Bring in multiple buyers.** There's the adage, "You always want what you can't have." As a result, people often pay more for things that are in high demand. Buyers have the same tendencies. The best way to get the best price and terms for your business is to run a process where multiple buyers are bidding on your business and are willing to pay up to be the winning bidder.
3. **Choose the best buyer, not the best price.** When you run a process, you have the opportunity to compare multiple offers for your business. This is a good thing – it means you have options. When it's time to select the buyer, choose the best buyer not necessarily the best price. Don't drive toward Regretsville three months after closing because you chose the jerk that paid \$600,000 more but treats your employees terribly.

Choose the buyer that's the right fit for your culture, is someone you'd enjoy working with and values the great team you have in place. Then negotiate with your top buyer candidate to get **their best price and terms**.

**Don't choose the best price.
Choose the best buyer and then
negotiate the best price and
terms from your #1 buyer.**

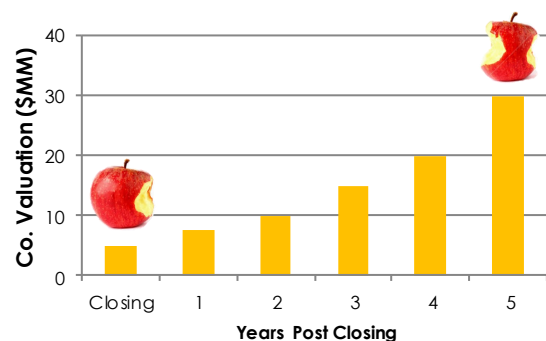
4. **Keep it confidential.** When news of a business sale leaks, everyone loses. Employees who hear the news start looking for new work because they are concerned with 'what if's'. Customers fear changes in quality/service and losing trusted relationships. Suppliers are afraid of losing business. People tend to imagine the worst when news of a potential sale leaks, so it is in the best interest of both the buyer and seller to keep the process as confidential as possible until the closing is nearly final.

Running a confidential process is difficult for a business owner who tries to sell their own company without competitors hearing about it. The owner becomes responsible for marketing their company, qualifying prospective buyers and running a full due diligence process – tasks that are difficult to accomplish while trying to maintain full confidentiality while running the business.

5. **Weigh your options.** As a seller you have a number of options in your exit strategy - a complete sale to a strategic buyer or a growth recap where you retain equity and take advantage of 'a second bite of the

apple'. You can completely cash out while selling to your management team or family. By running a process you can weigh the options and select the scenario that works best for your exit strategy.

Many owners don't realize they can retain some equity and enjoy a 'second bite of the apple'. This means you can retain a stake in the business and participate in a second future transaction at, hopefully, a much higher valuation.



6. **A successful process takes time.** Know that selling your business doesn't happen overnight. It takes time to run a successful process and effect a transaction meeting both parties requirements. On average, it takes 6-12 months from engagement to closing.

Be sure your M&A advisor can provide you with a realistic timeline to bring your business to market and close; then, work hard to hit your milestones.

7. **Stay focused on your business.** It's easy to get knee-deep in the process of a transaction and, as a result, shift the focus from running your business. This is how deals die. Often, sellers relax once they go under contract and lose some of the drive in their business – they think they are on Easy St. with a signed contract in place.

In reality, there is still a lot of work to be done. If anything, going under contract is more reason to focus on the performance of your business. Buyers who see the business drop off during due diligence get scared and oftentimes walk away from the transaction. Sellers are left with a business performing worse than when they went to market AND they have to start the process again.

Once you go under contract, keep your focus. The most challenging part of the transaction is still ahead.



Keep your nose down and focus on your business through due diligence and closing. Buyers love a business that performs better at closing that it did when it went under contract.

A business transfer is a momentous event that can yield abundant rewards—financial, peace of mind, time and more. When you make the decision to transfer your business, engage the right team to run a confidential process and ensure a successful exit.



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"Running a Process gets you the Best Buyer for Your Business"

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