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The Top 3 Unexpected Events CEO's May Encounter During the Selling Process

When it comes time to sell a business, not everything goes as planned. You may be one of the lucky ones and find that selling your business is a streamlined process with only a few unexpected occurrences. But most CEO's looking to sell a business find they can expect the unexpected. Let's take a closer look at some of the top surprises CEO's experience during the sale process.

Unexpected Occurrence #1 – Surprisingly Low Bids

CEO's looking to sell their businesses need to be ready for almost anything. One of the larger surprises that CEO's face are surprisingly low bids. Don't let low bids shock you.

Most M&A Advisors expect the potential acquirers to submit their initial price based on the information contained in the memorandum. Management presentations are also time consuming, but it is common to have these presentations ready before the final bids are submitted. Ideally it is best for the CEO to show the benefits involved in combining the acquirer and the seller as well as the future upside for selling the company. Hence, the final price may be significantly higher.

Unexpected Occurrence #2 – A Huge Time Commitment

CEO's have to make sure that everything from an offering memorandum to management presentation and suggestions to potential acquirers are ready to go. The offering memorandum is considered the cornerstone of the selling process and is typically at least 30 pages in length.

Sellers can take their "eye off the ball" during the time-consuming process of selling a company; however, this can be a serious mistake. CEO's must understand that potential acquirers will be examining monthly sales reports with great interest. If potential acquirers notice downward trends, they may want to negotiate a lower price. No matter how time consuming the sales process may be, CEO's have to maintain or even accelerate sales.

Unexpected Occurrence #3 –The Need for Agreement from Other Stakeholders

You, as the CEO, are able to negotiate the transaction, but the sale isn't authorized until certain shareholders have agreed and done so in writing. Until the Board of Directors, shareholders and financial institutions who may hold liens on key assets, have agreed to the deal, the deal simply isn't finalized. Often this legal necessity turns out to be an issue that gets in the way of a successful deal. Move to address these matters early in the process so the due diligence and closing will progress much more smoothly.

Ultimately, there can be a wide array of surprises awaiting a CEO who is looking to sell a business. Avoiding these kinds of issues is often, but not always, a matter of excellent preparation. However, it is vital that they keep in mind that even with the very best preparation and diligence, there can still be surprises when selling a business.

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