Field-proven results in business sales and acquisitions

Around the Web: A Month in Summary

A recent article posted on the Axial Forum entitled "What Do Buyers Look for in the Lower Middle Market?" explains how to make your business valuable to potential buyers and how to find the right buyers for your business. The buyers in the lower middle market are usually strategic buyers, financial buyers, private equity firms, and search fund advisors.

Buyers in this market are generally looking for the following characteristics:

- A strong management team who has incentive and is prevented from competing against the company if their employment is terminated
- Stability and predictability of revenue and cash flow
- Low customer concentration
- Other value drivers such as state-of-the-art operating systems
- High level of preparedness

The article warns about the biggest obstacles for owners. Business owners should consult with experienced deal attorneys and investment bankers before speaking to any buyers. They should also consult with advisors before the company goes on the market to make sure the business is properly prepared for sale. A business owner's management team may also be subject to rigorous professional assessment and background checks if a private equity or financial buyer is interested.

Currently in the marketplace, buyers are offering amounts higher than the historical norms. This means that along with the higher sale prices, sellers are subject to more scrutiny through due diligence. This is all the more reason for a seller to be prepared and to work with experienced advisors to get their business ready for sale.

Click here to read the full article.

A recent article from the Axial Forum entitled "5 Ways Sell-Side Customer Diligence Can Maximize Sale Prices" explains how third-party sell-side customer diligence has become increasingly more common and why it can help sellers maximize and justify sale prices. Here are the 5 ways this due diligence can help you get the best sale price:

1. **Determine if it's the right time for a sale** – Positive customer feedback can help reinforce the decision to sell, and neutral or negative feedback can help improve the company so it will be better prepared for a sale.

2. **Attract and persuade buyers** – Your confidential information memorandum (CIM) will show how strong customer relationships are, how your market share has grown, how the business has become more competitive, and more. Thorough documentation of the health of customer relationships will also help attract buyers.

3. **Control the message** – Having the seller contact their customers reduces the risk of anyone being tipped off about the sale and also allows for the seller to provide a better interpretation of the results.

4. **Prove there is a clear path for future growth** – Pre-sale due diligence can help justify the ways in which the company can grow in the future.

5. **Accelerate the timeline** – Having customer diligence done ahead of time will speed up the process so the buyer doesn't have to do it.

Sell-side due diligence gives the buyer a good overall assessment of customer relationships while also allowing the seller to control the process of the findings and substantiate their asking price.

Click here to read the full article.

A recent article from Inc.com entitled "The Art of Finding the Right Buyer for Your Business" gives us three essential items to consider when selling a business.

- **Set goals –** The first step is to set goals for the future of your business, yourself and your family. You'll want to consider factors such as how the transaction will affect your employees, if you will continue on as a team member or transition out of the company, and what your overall goals for the company are. This will help you and your advisor customize the sale process.

- **Explore options –** Be sure to know the difference between a private equity group and a strategic corporate buyer, and find out how they can benefit your business. There are also "family offices," which are investors who manage the wealth of a family or multiple families, but they hold a business forever.

- **Keep an open mind –** It's especially important in the beginning to stay open to both types of buyers and find a good advisor who can help guide you towards the right buyer. Whether they are a financial buyer or a strategic buyer, you don't know how they are going to handle the future of a company until you get to know them.

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A recent article from the M&A Source entitled "Gold Rush: New Entrepreneurs Seek Search Funds to Finance Takeovers of Baby Boomer Businesses" explains how new entrepreneurs are looking for funding to take over businesses as the baby boomer generation starts to retire. There is currently an entrepreneurial generational gap with far less young entrepreneurs than there are baby boomers looking to sell. Healthy financial trends paired with recent tax reforms have contributed to making ideal conditions for the new generation of small business owners.

This new generation of entrepreneurs is coming from recent MBA graduates who are choosing to acquire a business instead of heading to Wall Street. Most notably, they are doing things differently when it comes to financing by turning to the search fund model which is seeing unprecedented growth as of late. This process known as entrepreneurship through acquisition (ETA) is also becoming increasingly popular in business schools which are now offering ETA programs.

It is believed that this trend is going to continue and that the timing is right. More schools are increasing awareness about it and the model will get easier as more baby boomers retire and sell their businesses. As more big money sources see this model gain popularity, there will be more money to support this growth as well.

Click here to read the full article.

A recent article posted by Divestopedia entitled "Avoiding the Biggest Deal Killer: Time" tells us that the key to a successful deal is preparation and momentum. This means that the seller should be fully ready when the business hits the marketplace, not when the first offer is made.

To keep the momentum going, there are 14 factors to consider:

1. Know when it is a good time to sell your business
2. Know why you want to sell
3. Know the company's strengths and weaknesses
4. Know what you will do after you sell your business
5. Know the value of your business
6. Have a realistic asking price
7. Be sure you are current on all taxes
8. Make sure operational details are organized and recorded
9. Know that the business can operate without you
10. Know your company's place in the market
11. Be prepared with accurate financial statements, tax returns, and financial reports
12. Know that your team of trusted advisors is ready
13. Have a growth and marketing plan for your buyer
14. Know what is most important to you so you can stay focused on the key issues and not worry too much over minor details

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