Field-proven results in business sales and acquisitions

Red Flags are Not a Pretty Sight

When it comes to selling a business, sellers simply must pay attention to red flags. Problems can always pop up, and that's why they need to keep their eyes open.

Rarely does a "white knight" ride in and rescue a business with no questions asked. And if this were to happen, you should be asking, "Why?" Until a deal is officially inked, sellers need to evaluate every aspect of a transaction to make sure something isn't happening that could wreck the deal.

Common Red Flags to Watch For

One example would be having a company express interest in your business but you are never able to directly contact key players, such as the President or CEO. The reason that this is a red flag is that it indicates that the interest level may not be as great as you initially hoped.

A second red flag example would be an individual buyer, with no experience in acquisitions or experience in your industry, looking to buy your business. The reason that this second example could prove problematic, is that even if the inexperienced buyer is enthusiastic as the deal progresses, he or she may become nervous upon learning what a deal would actually entail. In other words, the specifics and the reality of owning a business, or owning a business in your industry, could come as a shock to an inexperienced buyer.

Both of these examples above are examples of early-stage red flags. But what about issues that pop up at later stages? The simple fact is that red flags can come at any stage of the selling process.

A good example of a middle-stage red flag is when a seller is denied access to the buyer's financial statements, which is of course essential to verify that the seller is able to actually make the acquisition. A final-stage red flag example is an apparent loss of momentum, as the buying and selling process can be a long one.

Business Sellers Need to Protect Their Assets

Sellers are usually very busy and don't have time to waste; this is doubly true for owner/operators of businesses, as the time they invest with a prospective buyer is time that could be spent doing something else.

All too often, businesses begin to run into trouble when they place their business on the market. If this trouble negatively impacts the bottom line, then the business can become more difficult to sell and the final sale price will likely be lower.

That's why it is so essential that sellers protect themselves from buyers that are not truly interested or are simply not a good fit. Working with an M&A Advisor is an easy and highly effective way for sellers to protect themselves from buyers that are simply not the right fit. An M&A Advisor helps to "weed out" unfit candidates.

While red flags are never good, that doesn't mean that a red flag means a deal is a definitely at an end. Especially with the guidance of an experienced M&A Advisor, many of these issues can be overcome.

In the end, if you, either as a buyer or seller, suspect that there is a problem, then you should take action. The problem will not simply go away. The single best way to deal with a red flag is to tackle it head on as soon as you recognize it.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

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