

A hand in a dark blue suit jacket points towards the center of the image. The background features a dark blue world map with various countries highlighted in red and teal. Overlaid on the map is a 3D bar chart with three bars of increasing height, colored red, white, and teal. The text is centered over the image in a large, bold, white sans-serif font.

**SHOULD YOU WAIT
FOR THAT BIG SALES
CONTRACT BEFORE
SELLING?**

MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions
WWW.MERGERSCORP.COM



At MergersCorp M&A International we help our clients confidentially buy and sell privately held businesses, aligning the interests of all parties for mutual success and satisfaction.

It is our goal to make the process of either buying a new business or selling your current business as smooth and efficient as possible. We know how important confidentiality is to our sellers and we treat it with the utmost importance.



WWW.MERGERSCORP.COM

**SHOULD YOU WAIT
FOR THAT BIG SALES
CONTRACT BEFORE
SELLING?**



WWW.MERGERSCORP.COM

If you are planning to sell, but are expecting a big contract, which you believe will substantially increase the worth of your company, should you wait? It may seem like the sensible thing to do, but you need to look at all the possible outcomes and other factors that may come into play before making that decision. To get a better idea of the right decision it is worth looking at this contract from the viewpoint of both the acquirer and you as the seller of the business. What questions would or should you be asking?

So firstly from the viewpoint of the acquirer :

- When the company they are acquiring has just received a big contract, how much do they want this contract and is it going to lose its value?
- When the company they are acquiring is likely to receive a big contract, how much is that contract worth?
- What percentage of the company's revenue would the contract provide and would it inhibit other parts of the company's business?
- Will the contract provide ongoing business?
- What risk is there if the contract falls through or goes wrong?
- Has the company got all the resources to keep its side of the contract
- Is there more potential that can be gained from the contract



And secondly from the viewpoint of the seller :

- How long will the contract take to materialize? Does the seller have time to wait that long.
 - What would be the effect if the contract falls through or gets delayed? Would this have an adverse affect on the company?
 - Is there a possibility of a bigger contract after this one?
- How has the company grown in the past?
- Given that the selling process usually takes about a year, if selling is left until after the contract has been clinched, will it still have the same value further down the line?
 - What is the competition like and how might it change over the next year?
 - Also what is the market like? Are there changes happening there?
 - Perhaps, most importantly, following on from these last 2 questions is to take into consideration if there needs to be more investment and energy put in the business in order to grow. A key question then needs to be asked about whether the seller has the time and energy to avoid devaluation in the business whilst holding off a sale. The flip side of this is to consider if an acquirer may be in a better position to run the business over this coming time period and therefore the business would be of more value to them now than it would be in the future.



Maybe the key consideration that affects the final decision about the right time to sell is the reason behind the desire to sell the business. If the owner has not got the enthusiasm, stamina or energy to keep the business running at its optimum, then it is better to sell sooner rather than later. If there are health reasons, other lines of business or personal matters that are taking up too much time, then it is better to sell sooner rather than later. If the business looks like it has more potential now than it will possibly have after the contract is over, then it is better to sell sooner than later. If an acquirer is likely, with renewed enthusiasm and the right skills or strategic fit, to help the business grow better than the current management, then it is better to sell sooner than later. Does the company need the backing of a larger business to get to the next level? Then it is time to start that sales process.

With professional advisors in business mergers and acquisitions it is possible to find the acquirers who are looking to invest in the future and with expert help you can continue concentrating on running the business while they do the negotiating. It may be that you need to be willing to make a deal with earn-out and it may be, when the business is sold to the right buyer, that the pay-out actually ends up being worth more to the seller than they would have made in holding out.



In summary, when it comes to selling a business with a large contract in the offing, it can still be a good time to sell. It can often not be beneficial to wait for the contract to be completed. Consideration needs to be given to the reason for the sale and if an acquirer is likely to help the business to grow better than the current owner, maybe due to circumstances, skill sets, backing or other reasons. Mergers and Acquisitions advisors are helpful in finding the right acquirers, who want to invest in the future and can deal with the negotiations.

Disclaimer : This article gives general information and is not legal advice. For your own individual case you need to seek advice from a certified accountant.

Keywords : timing of selling a business, mergers and acquisitions, when to sell a business, trade-offs in selling a business, sale pipeline, business growth



Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
<ul style="list-style-type: none"> Target & market analysis; Initial assessment of synergies & value drivers; Indicative valuation; Go or No-Go decision; Preparation of transaction documents (NDA – Non-disclosure Agreement/LOI-Letter of Intent); Select Transaction team; Appoint advisors; Consider funding ability. 	<ul style="list-style-type: none"> Initial approach letter; Signing of NDA; Prepare & share initial information requests; Formulation of LOI (Letter of Intent) & possible negotiations; Initial meeting and Q&A; Circulate information on the Target to the Transaction team. 	<ul style="list-style-type: none"> Set scope of due diligence; Set up VDR (virtual data room); Coordinating of due diligence, further meetings and Q&A sessions; Consider points relevant to the Post-Merger (PMI) phase; 	<ul style="list-style-type: none"> Revisit indicative valuation & prepare detailed valuation based on due diligence findings; SPA negotiations with the seller; Development of final structure (share/asset deal) and final valuation; Approvals; Signing of SPA & Close. 	<ul style="list-style-type: none"> Consider the extent of integration; Development of 100 Day PMI Plan; Consider short & long term objectives; Estimate requirements to capture synergies; Determine resource needs & optimal allocation.
Parties Involved				
<ul style="list-style-type: none"> CFO; Head of M&A; Accountants; Corporate finance advisors; Consultants. 	<ul style="list-style-type: none"> Senior management; CEO, CFO, CTO; Strategy director; Head of M&A; Head of Business Development; Consultants. 		<ul style="list-style-type: none"> Company general counsel; Lawyers; Senior management. 	<ul style="list-style-type: none"> Company general counsel; Lawyers; Senior management/HR.

An overhead photograph of a business meeting around a wooden table. Several people's hands are stacked in the center of the table, symbolizing teamwork or agreement. The table is cluttered with business-related items: a laptop, a calculator, a coffee cup, a glass of water, a pen, a notepad, and some documents. One document is titled 'INFORMATION'. The lighting is warm and focused on the center of the table.

Looking to Buy or Sell a Business?

CONTACT US NOW
FOR A FREE
BUSINESS VALUATION

GET FREE VALUATION

MERGERSCORP

The Leader In Business Sales Mergers & Acquisitions

WWW.MERGERSCORP.COM

MergersCorp.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Member firms of the MergersCorp network of independent firms are affiliated with MergersCorp International. MergersCorp International provides no client services. No member firm has any authority to obligate or bind MergersCorp International or any other member firm vis-à-vis third parties, nor does MergersCorp International have any such authority to obligate or bind any member firm.

Copyright © 2020 MergersCorp International. All rights reserved.

