
WHAT DOES A
BUYER LOOK FOR
IN A BUSINESS?
MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions
WWW.MERGERSCORP.COM

MERGERSCORP

The Leader In Business Sales Mergers & Acquisitions

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.

THE M&A Consultant GOLD MEDAL 2016

THE M&A Consultant SILVER MEDAL 2018

THE M&A Consultant GOLD MEDAL 2019

WWW.MERGERSCORP.COM

WHAT DOES A BUYER LOOK FOR IN A BUSINESS?

MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions

WWW.MERGERSCORP.COM

What does a buyer look for in a business?

At the end of the day you will only sell your business for as much as it is worth to an acquirer. If you want to optimize the selling price of your business, what better way to do it than to look at it from and acquirer's point of view and to find the acquirer that will get the best benefit from your business?

So what is it that acquirers look for in a business? It's not all about the EBITDA, although that helps. However, there are many other aspects of a business that can attract an acquirer. If you know these then you can make the most of them in your selling strategy. After all the more an acquirer wants your business the higher the price they are willing to pay.

So here are some things that an acquirer is looking for in a business:

1) How well does it fit strategically? Sometimes a business and be of greater worth to an acquirer than it is to you because it fits strategically with their current businesses. This could be for many reasons including the products, services, market share, location and many more. In this case the acquirer may be willing to pay an inflated price in order to clinch the deal. A professional advisor is key in researching potential acquirers that would benefit from your business.

2) EBITDA. Yes, the EBITDA is important and increases the evaluation of your business. Whilst looking for ways to improve this, it must be with a long term view. Sudden changes in cash flow will lead an acquirer to make more comprehensive checks on the reasons behind these changes. Once there is uncertainty on the long term viability of the figures, valuation will decrease.

3) Good management. If the business has been run by the seller and relies on them to function well, then the business will not be of much value to someone else, especially if they do not have the expertise needed. In order to increase the value of the business, the owner should make themselves dispensable, so that the business can run without them. This requires setting up a good management structure and training of employees with skills needed. It is also vital that the key employees stay on once a sale is going to take place. This can be achieved through long term contracts or incentives such as stock grants. All these preparations need to be set in place well before the sale.

4) Broad customer base. The broader the customer base the more attractive a business will be to the buyer. As a rule of thumb, a single customer should not be responsible for more than 10% of the custom. To help offset this negative, long term contracts can be made with larger customers or the acquirer may require the assurance of an earn-out.

5) Repeat business. If a business has predictable incomes, this is a great attraction to an acquirer. This could include long term contracts, annual fees etc. Make sure you know where your reliable income sources are.

6) Unique products and services. A business that is unique and difficult to copy will gain a higher value. It may be simply that it has unique products or services, but there are other areas in which a business can be unique. These include its distribution system, its property, location, the permits it possesses or its place in the market and its reputation. Communicating the way your business is unique can help show how your business is worth more than the competitors around you.

7) Potential for expansion. It may be that your business is just on the verge of getting into a new market or releasing a new product, which could move the value of your business up a level, however, you don't want to wait to sell. A prediction of the effect this will have on the business should be clearly presented with detailed scenarios and a range of variables, in order to show the future potential. Be aware, however, that when predictions do not get fulfilled during the sale process, this can have a negative effect on the deal. Another possibility, that shows the acquirer that you have confidence that the business will be successful is to include earn-out as part of the deal.

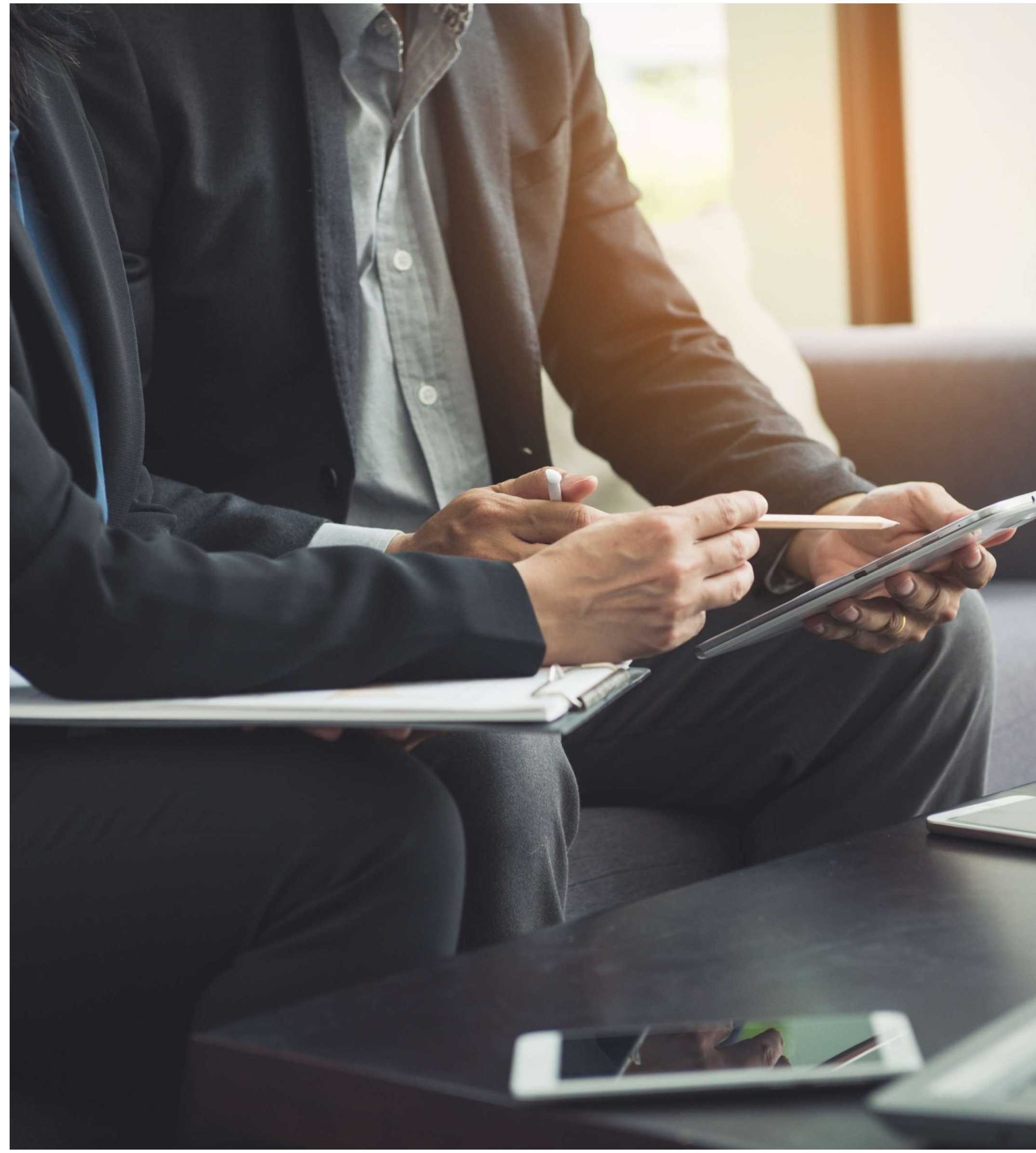
8) A leader in the industry. If your company has a good reputation and is seen as a leader in the industry, then this is attractive to an acquirer. To this end it is important to keep a 'scrapbook' of articles printed in newspapers, magazines or any other place where your company is mentioned in the media, both visual and printed matter that you can present. Get employees to write about the business and use them to raise your profile in the industry and the local community. This is good for establishing your business as a household name.

9) Growth plan. You know your company the best and it is a great benefit to the acquirer to see your thoughts about the ways in which the business can grow. It can also be helpful to them if they see plans and strategies from the past and the ways in which they have worked or the difficulties that have been encountered.

10) Good bookkeeping. When accounts are clear, well kept and thorough, it gives a sense of trust. It is also a great help when it comes to due diligence.

In summary, if you are interested in getting the best price for your business, remember to look at it from the acquirers point of view. They will want you to be up front about both the positives and the negatives when weighing up the amount it is worth to them. Remember it is not all about EBITDA. Look for the unique values of your business and how you can present these and find the acquirer that can make the best of your business. With all these matters a professional advisor can always help.

Keywords: valuation, EBITDA, maximizing the value of a business, unique values of a business, preparing for sale of a business, strategic fit, an acquirers viewpoint



MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions

Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
▪ 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.	▪ 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.	▪ 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;	▪ 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.	▪ 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				
▪ CFO; ▪ Head of M&A; ▪ Accountants; ▪ Corporate finance advisors; ▪ Consultants.	▪ Senior management; ▪ CEO, CFO, CTO; ▪ Strategy director; ▪ Head of M&A; ▪ Head of Business Development; ▪ Consultants.		▪ Company general counsel; ▪ Lawyers; ▪ Senior management.	▪ Company general counsel; ▪ Lawyers; ▪ Senior management/HR.

Looking to
Buy or Sell a Business?
CONTACT US NOW
FOR A FREE
BUSINESS VALUATION
GET FREE VALUATION
INFORMATION
MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions
WWW.MERGERSCORP.COM

MergersCorp.com

MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions