

Will You Get the Best Price for Your Business?

Don't leave it to chance – choose to sell your business the right way.

By Walt Lipski

At some point, all privately held businesses are passed on through inheritance, sold or cease to exist. So the fact is, as a business owner, unless you have family members or someone to leave your business to, there's a good chance you will be involved in a process to sell your business.

This article is not about selling your business now, but rather about how to achieve leverage and advantage when the time comes to consider a sale. William Jennings Bryan said, "Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved."

Consider this brief story. A business owner was approached about selling his business by another company in his industry. The buyer and seller were acquaintances through their respective involvement in an industry trade association. The buyer was younger and his company was growing and making a name for itself in the industry. The seller's company was well respected and had dominant market share in its geographic area, making it an ideal acquisition candidate for the buyer. On the surface, this sounded like a win-win and a deal that should be easily wrapped up.

But quick and easy was not to be. The buyer and seller got stuck on valuation, the seller wanting more money and the buyer refusing to pay more. The seller had a credible market value appraisal of the business, as well as an appraisal of the assets and yet the buyer's offer was well below what the seller considered fair based on his data. Every

attempt to persuade the buyer in raising his offer out of **fairness** resulted in a non-response from the buyer.

After months of negotiation and thousands of dollars in legal and accounting fees on the part of the seller this deal fell apart. And to add further insult to injury, through this process the seller lost focus on his business and was now in danger of losing a large customer.

When it comes to selling, leverage and choices beat fair and reasonable – nine out of 10 times. In this situation, the seller was stuck on what he felt was a fair price, while the buyer had no pressure to raise his offer, **because no one else was buying.** If you are a seller, three competing bidders will give you far more leverage than an expert valuation.

In business, you don't get what you deserve. You get what you negotiate! So, what's the solution? How do you get more bidders?

A controlled auction or a competitive process can provide the seller with leverage and choices.

When a company is presented in its very best light in terms of operational and financial performance, to a marketplace of qualified buyers (those with the financial capacity to quickly complete the transaction once an agreement is reached), the end result can only be an offer that includes the highest price and best terms the market can offer.

Advantages of running a competitive process include:

- The strategy is designed to maximize price and terms while controlling risk.
- The seller controls the process.
- The process takes place in stages minimizing disclosure of proprietary information.
- The process establishes a definite timeline for the sale to take place.
- It provides backup buyers should the winning bidder backed out.

Not every business is positioned or ready to be sold through a competitive process, at least initially. In order to be successful, good financial and operational data need to be readily available so the business can be properly packaged before going to market. It is possible that some good buyers may choose not to participate in a competitive process, as they fear over paying. Finally, if third party consents or buyer financing commitments are required, these can sometimes result in long lead times. The good news is these issues can be managed and successfully overcome with a little front end planning and work.

Next Steps

If you want to sell your business and think the competitive process is the way to go, *FIRST* look yourself in the mirror and answer these initial questions:

(See article: [Hope is Not an Exit Strategy](#))

- What would I do if I sold my business?
- What personal objectives would be achieved through a sale?

If you are ready to move forward, recognize that selling your business through a competitive process is not a do-it yourself project, it takes experience, dedicated focus, hard work and coordination. You will need an experienced M&A Intermediary to help design and run the process, along with a good transaction attorney, an experienced tax accountant and a seasoned and trusted wealth advisor as part of your team – at a minimum. However, planning for the sale in advance and executing on a well thought out and focused strategy is the only luck you have working for you. Because.....

Luck favors those who are prepared.

Walt Lipski

Deal Maker for Privately Held Companies

For more information please contact:

Walter L. Lipski
Upton Financial Group, LLC
O: 480.666.5556
D: 480.223.8060
wlipski@uptonco.com
www.uptonco.com or
www.waltlipski.com

Walt Lipski is President of the Arizona division of Upton Financial Group. Our passion is working with business owners to create and execute, when their time is right, a plan to capture the value in their businesses that will meet their personal, professional and financial objectives.