

# Exit Strategy

Strategies for Valuing a Company, Building its Market Value, & Preparing for a Future Sale

## Why Wouldn't I Sell My Company on My Own?

By: Scott O'Rourke

**Can You See Around Corners?** Of course not! Not a month goes by where I don't hear:

*"Bob wasted months negotiating with a buyer who couldn't come up with the cash to buy his company. All his employees found out and some quit. Worse, a customer found out and switched providers."*

*"John sold his company for a very low price with a bad structure and got hit with a big tax bill and an IRS audit."*

An M&A Specialist can help you predict and prepare for these scenarios as well as what's around each corner in the business sale process.

**The Need for an M&A Specialist.** Handling the sale of your business is akin to being your own lawyer. In the same way that a highly skilled advocate fights for your success against another well prepared legal team, an M&A Specialist stacks your odds on achieving your goals.

Most business owners are focused on the day-to-day challenges and activities of running their company but are

not experienced in the business sale process which is often a once-in-a-lifetime event. Handling your sale alone can lead to critical mistakes that can be avoided. The time to experience the learning curve is not when selling one of your most valuable assets. Lack of proper preparation and not utilizing a highly skilled M&A team can lead to a less than desirable outcome.

Achieving the best net financial reward requires a carefully planned and structured process. Each step must be handled correctly the first time. Owners are experts at running their companies, but few are prepared to navigate this complex process; putting them at a distinct disadvantage. An M&A professional provides invaluable advice, support and representation – most importantly, the benefit of experience that can make the difference between a successful transaction and a missed opportunity.

**Access to Interested & Qualified Buyers.** All too often business owners will focus on prospects they already

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## Don't Just Take Our Word For it...

"We had discussions to sell with a few of the big operators but it went no where until we got Sun Mergers & Acquisitions involved. They prepared a book on our company, presented it to various buyers, and generated a lot of interest. Sun negotiated the whole deal, including my employment agreement, our lease, and some other elements that were important to us. They also assisted us in finding an attorney and collaborated with everyone until the deal closed. Everything turned out as well as we could have hoped for."

Ken Ehlers, *President*  
A and B Bus - Irwindale, Ca.

*Sun's Quarterly Reports are available on our website at [www.SunMerger.com](http://www.SunMerger.com).*

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know – vendors, customers, employees, or competitors. Buyers such as these frequently lack the means and motivation to pay what a company is really worth compared to buyers who have strategic acquisition goals and are willing to pay accordingly. Some of the most qualified buyers are often the most unforeseen. For many, private equity groups are among the most desirable potential buyers. A business owner is not typically intimate with these markets and therefore may miss out on an opportunity to maximize the transaction. In the end, identifying the “right” acquirer strongly influences market value.

**What to Expect from Your M&A Advisor.** An intermediary will manage the business sale process from inception to completion. Initially, an intermediary provides feedback as to likely valuation range and transaction structure alternatives. This will confirm whether the expectation of value and yield is in line with your goals. You will then be better positioned to determine whether it makes sense to pursue an exit strategy now, or prepare the Company for a sale in a future period.

Once you determine if pursuing a sale or other business transaction is the right move, you will benefit from these additional aspects in which an M&A professional’s expertise will play a significant role in achieving your goals:

### Fighting On Your Front Line.

- Provide total confidentiality
- Negotiate every aspect of *your* deal on *your* behalf
- Provide a realistic and likely value of your business
- Identify and locate the best buyer
- Package, present and market your business to optimize value
- Qualify buyers
- Establish the most beneficial transaction structure
- Draft and negotiate Term Sheets / Letters of Intent
- Navigate through due diligence
- Contract negotiations
- Manage and maximize the probability of a successful sale

**The Real Question.** If it’s time for you to consider selling your business, maybe your next question shouldn’t be, “Why wouldn’t I sell my company on my own?”, but rather, “How do I assemble the right team to ensure nothing is left on the table?” For more information, please contact us at: (800) 232-0180

## Exit Strategy

*Sun Mergers & Acquisitions is a boutique investment banking firm specializing in the confidential merger, acquisition, valuation, and strategic advisory service of privately held middle market businesses.*

*Our professionals have completed over 200 transactions in a wide range of industries.*

*“Exit Strategy” is distributed quarterly, compliments of Sun M&A, to advise business owners and their advisors on topics involving valuing privately held companies, building market value, and preparing for an eventual exit strategy.*

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# Am I the Best Person to Sell My Own Company?

*Check List - Do you know how to address the following:*

- Who is the best buyer for my Company and how do I find this buyer?
- How do I protect confidentiality from customers, employees and competitors along the way?
- Who will I “bring into the fold,” letting them know that I am selling?
- How long does the process usually take?
- How do I negotiate my deal to stay-on; how long is reasonable; and, what are the normal terms?
- Where is the buyer’s money coming from?
- How do I prepare for each meeting with the buyer?
- How much is a reasonable fee for legal and accounting work?
- When do I get my attorney involved?
- Does my attorney have an M&A expertise?
- What happens with my Company Name?
- Is the offer I received a good one? Is the structure the best net yield for me after taxes, debt, and other fees?
- What happens with my accounts receivable, accounts payable, debt, and cash?
- Can anyone from my family still be an employee? Will the buyer want them?
- Will the buyer continue our 401K or other benefits program for my employees?
- How do I feel about background screening for myself and our top employees? How do I set the ground rules?
- Do I allow face-to-face meetings with the buyer and our management team?
- What is due diligence and what information should I send?
- What response will each piece of information generate from the buyer?
- How do I get out the bad news to buyers?
- Who will have access to my data?
- Who is going to review due diligence material before it is sent, and how will it be sent?
- How do I respond to what is uncovered during due diligence?
- What would I do if the buyer’s CPA firm “loads” their due diligence model with unfair overhead?
- When and how do I end the due diligence process and inform the buyer that we’re not going to supply additional or updated data requests?
- How am I going to prevent “over exposure” of myself, the company, and other key people?
- Do I allow the buyer’s IT team on-site and for how long? What about their engineers, environmental consultants, HR, attorneys, etc.?
- Do I let the buyer do a phase 1 and 2 on the property, and who pays for it?
- How long should the “no shop” be?
- Who makes sure no one on our team “drags their feet”?
- How long should it take our attorneys to reply to a draft SPA (version 1, 2, 3, 4 and 5)? How about the lease, employment contract, etc?

*If you have any questions or would like to discuss how Sun M&A can assist you, please contact us at (800) 232-0180 or visit [www.SunMerger.com](http://www.SunMerger.com).*

