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Business Valuations - IBG Business

IBG Business is a highly renowned leader in business sales and acquisitions of privately held lower middle-market companies. We spoke to John Johnson, managing partner & principal at IBG, to find out more about their company, and why is it crucial to have an appropriate real world market value opinion prepared for business transactions.

At IBG, we assist business owners in valuing and selling their companies at the appropriate time, for optimal terms and value. Essentially, IBG exists to bring merger and acquisitions skills, resources, and knowledge to company owners preparing to sell a business or make an acquisition. IBG's team is defined by its expertise, character, and commitment to deliver exceptional results through M&A broker and adviser services for business owners in acquiring and divesting businesses. As a result, their clients succeed as IBG delivers their best opportunities, confidentially and with superior results.

More specifically, IBG Business specializes in a refined execution of professional processes for the purchase or sale of businesses. The firm's extensive background, training and resources are used to evaluate the likely market reaction to a business, advise owners on succession timing and options, then strategically implement an exit strategy to best achieve the objectives of business owners.

for business risks, payment terms, tax treatment, and intangible values, which may move price dramatically, as a business sale is negotiated. Quality transactions are managed to keep the polarizing realities within a cooperative framework to improve the odds of closing and to enhance the ability of the parties to work well together going forward after a close."

Entering the arena for selling a business, or even when taking steps to begin early preparations for a future exit, owners are wise to seek professional help in answering the question of 'what is my business really worth?' Gary Papay, IBG partner in Pennsylvania adds that an equally important question is 'and why?' Answering the question of why a business value is what it is will prove very instructive as to what might be done to change the business or position terms of a potential sale to enhance a seller's value. Properly 'setting the table' before taking a business into the market can often provide big swings in value.

Casual opinions on what a business is worth are as abundant as sparrows. Seldom do those opining have any depth of market knowledge, know the business particulars, describe the relevant deal terms, or have the expertise for their views to be competent. Commonly, business sellers may seek a well-prepared fair market value opinion to help guide them. This is an improvement, but is often lacking to benchmark business values to help guide a business sale. A theoretical fair market value of a business is better suited for divorce, litigation, or estate planning, owing to its hypothetical, objective, check all the boxes regimen. To prepare for a business sale, it is best to get real world guidance that merges appraisal techniques with informed judgement of experts in managing the sale of businesses within the nuances and practicalities of a 'real deal' transactions market.

Experienced M&A broker and adviser firms can often deliver a market opinion of business value or business pricing strategy opinion to gauge likely market value response to a business and to help prepare business owners to deal with market dynamics. Often these will be stated as a range of values and articulate underlying factors leading to

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When it comes to business valuation, one job of 'opposing' parties in a business acquisition is to close a transaction that best serves the interests of the buyer or seller, respectively. For a transaction to get done, those same opposing interests must accommodate the needs of their opposing counterparts and benefit them sufficiently to permit agreement to be reached.

My colleague John Zayac, who is also a managing partner and principal, explained it very succinctly when he said: "We observe price as a common marker for value, yet it is the tip of the iceberg. Price is predicated on a complex foundation of value components, such as shifting responsibilities

the value opinion, as well as the potential impacts of alternative deal structures. They may also bring out ideas for working to remove obstacles and implement strategies to enhance business value in the sale process.

With all of these aspects in mind, to realize optimum results from selling a business, owners are wise to first seek expert guidance to help them foresee and manage the numerous factors, including understanding value issues, that lead to the best results for reaching their objectives from their sale.

Ultimately, valuation is theoretical, whereas mergers and acquisitions are dynamic and practical. The valuation work done in advance of selling a business is a critical preparation step. Deal dynamics and markets are vital determinants of real world value.

For example, Jim Afinowich and Bruce Black in IBG's Arizona office recently closed a cash sale at \$120 million for a food manufacturing client. A competent fair market value at the start of the process might have concluded the value to have been around \$20 million. The seller was advised to decline early offers and build value in the business, as demand momentum was building in the industry vertical. In the end, the underlying value of the business did improve, but perceiving and capturing the market dynamics led to a closed sale at a far higher price than could have been estimated. The buyer was buying for market control and expansion. Jim and Bruce, as experienced merger and acquisition professionals, sensed the opportunity and delivered a superb price for IBG's client.

Going forward, mergers and acquisitions activity remains solid for quality businesses in the lower middle market. The markets are looking as if they may cool coming off of the white hot market of 2014 through late 2015. That being the case, valuations and demand are still excellent. However, the need to understand business valuations before stepping into this evolving market is critical. As such, mergers and acquisitions broker and valuation firms that are active full-time in the markets will remain vital resources to owners looking to sell a business at top value.

