

MERGERS & ACQUISITIONS 2020 EXPERT GUIDE





John C. Johnson

USA

jjohnson@IBGBusiness.com

+1 (918) 749-6016

www.IBGBusiness.com



Selling a Business? How M&A Advisors Add Value

By John C. Johnson, M&AMI

“There were several times when I wanted to do things that would have detracted from the value of the sale. The advice I got [from my M&A broker] was very, very helpful in putting a stop to that, to ensure that we were continuing to proceed with a very professional negotiation to make the most of the value of the acquisition.”

- Scott Hastings

For many business owners, their company is a personal vault of bounties earned from years of sharp focus, wise choices, maximum effort, and often painful sacrifices.

It is little wonder, then, that selling their business is often the single largest and most important decision of an owner's life.

Once an owner works through the emotional and identity issues of business ownership, they begin to recognize that selling is their key to seizing new control over time, attention and energy, perhaps *en route* to new opportunities and a life of fulfillment that is free of the consuming constraints of ownership.

Motivated by that shift in focus, wise business owners invest carefully in producing a sale that maximizes the value of both the company they built and the next chapter in their life.

For most successful sellers, that investment includes the wise use of a merger and acquisition (M&A) broker or advisor.

M&A advisors are business experts who focus on selling middle-market companies in private transactions. They bring the key essentials for

driving the best outcomes and values for clients in business sales transactions. Following are descriptions of how.

Why Use an M&A Broker?

An experienced M&A advisor is the owner's most valuable ally in managing a purchase or sale. They are consistently found to be important to buyers and sellers, whose experiences were chronicled through a research study by SmithBucklin Association Management.

From the sellers of middle market businesses:

3 in 4 found their M&A guide to be *very* helpful.

9 of 10 said using an M&A advisor better protected their confidentiality.

The vast majority believed that the M&A advisor's confidential information memorandum effectively portrayed the maximum value of their company.

Stress was much lower with a professional intermediary at the helm.



Value received was enhanced. Nearly all respondents reported that their M&A professional added to the business sale price they received:

- 33% noted a 10% increase;
- 40% enjoyed 30-40% price improvements;
- 15% reported 40-100% higher sale values.

Buyers' feedback was also instructive. A vast majority expressed a preference for a professional M&A advisor running their deal, even knowing that they may have to pay a higher price for the company. They know that represented sellers are:

- well educated on the sale process;
- better prepared to conclude a sale;
- less likely to be a source of stress; and
- more likely to be sincerely motivated.

In addition, buyers reported that:

- information is well prepared and more easily analyzed;
- there is less waste of time;
- negotiations are smoother; and
- acquisitions close more quickly.

Succinctly, there is a higher probability of a successful closing.

From the input of sellers and buyers, it is clear that process matters – *a lot*. The biggest distinction among top M&A advisors in adding value often comes from their ingrained personal abilities and attributes.

At the same time, M&A advisors mix scores of ingredients into their “secret sauce” to bring value for their clients. Some of the makings are drawn from know-how, while others are plucked from their “tool kit.”

What Is in the M&A Broker's Tool Kit?

An M&A advisor's tool kit is filled with specialized resources to make possible the research and analysis needed to achieve two critical steps:

- present the business in its best light, and
- identify the best prospective buyers.

These resources might include databases of buyer information, industry contacts and their characteristics, prospects' investment parameters, and knowledge of who owns what, with which partners. They can include in-depth industry reports, and data on price and terms on comparable sales.

Analysis tools and techniques are essential for best preparing a firm to present to suitors. Appropriate confidentiality, marketing, and sale documents have been refined and tested by fire through scores of deals. Secure data rooms are in place and have been confirmed for effective and efficient data presentation.

What Are an M&A Broker's Essential Skills?

As with any profession, having the right know-how is central to producing the best outcomes.

An M&A advisor's ability to maximize business value comes in part from the expert use of their skill set, including their:

- effort and insight;
- knowledge and discipline in planning and implementing a refined M&A process that yields top value;
- expertise and "people smarts" to effectively communicate among disparate parties to bring forth results that best serve the client;
- developing and executing a marketing strategy to find the best buyer prospects, confidentially generate interest and make presentations; and



Your best sale outcome is built by creating, recognising, and seizing the right pieces out of many moving parts and possibilities

- knowing when – and when not – to push forward.

It is remarkable that we have progressed this far in our discussion without acknowledging the undeniable importance of *negotiation skill*.

Negotiating effectively arises in part from in-depth understanding of the business, legal, and tax opportunities, and constraints, for a business sale. Those issues generate many moving parts to be skillfully managed to produce the best sale at the highest net value and lowest risk.

How Does the Process Work?

Basic steps in a [successful business sale process](#) are well documented:

1. Identify sale objectives
2. Value the business
3. Assess the market
4. Go forward or hold back
5. Draft the Confidential Information Memorandum
6. Develop a winning marketing strategy
7. Manage and nurture interest
8. Negotiate and maximize value
9. Facilitate the process of due diligence
10. Close the deal
11. Manage the transition

This list is deceptively simple. It is built on many sub-steps with complex interactions and simultaneously moving and evolving parts. An M&A "quarterback's" expertise produces added value and mitigates risks at every step when planning, preparing, and implementing a sale process. This is key for a successful transaction.

Where Are the Differentiators?

In looking for the most valuable choice of your M&A advisor, scores of people might raise their hand to handle your business sale.

Only full-time M&A practitioners – who are experienced, trained and committed to the profession – are truly equipped to deliver the best outcome and maximize the net proceeds for you.

There are outward signs to help you in your selection, and important personal attributes should be sought.

The Outward Signs

Indicators you can consider when looking to distinguish those who can be expected to best excel for you include:

- a substantial tenure;
- a proven track record of successful transactions;
- positive, credible, client feedback;
- professional awards;
- industry leadership; and
- third-party credentials and certifications.

A wise business owner looks to these first-cut qualifiers when selecting a strong leader for their successful company sale.

Coup D’oeil: A Field Commander’s Vision

The phrase *coup d’oeil*, meaning a stroke of the eye, is commonly associated with war, as stated in *On War* by Carl von Clausewitz:



“When all is said and done, it really is the commander’s coup d’œil, his ability to see things simply, to identify the whole business of war completely with himself, that is the essence of good generalship. Only if the mind works in this comprehensive fashion can it achieve the freedom it needs to dominate events and not be dominated by them.”

I remember an older businessman who succeeded in deal after deal. People who knew him said, “Ted could smell a great deal and intuitively knew how to make it happen.” *Coup d’oeil*.

This Zen “way of knowledge” is a rare mental gift. It is honed by training, knowledge and experience. It can be observed in chess masters, top quarterbacks, field generals – and in outstanding M&A advisors.

Coup d’oeil is often the catalyst that moves a business sale from “no deal” to a “done deal,” or from a “fair deal” to a “great deal.” It is an important way through which your “Zen M&A advisor” adds great value to your transaction.

Business owners should seek an M&A advisor to bring this extra level of talent to their business sale. In addition to track record and other bona fides, the

key to discerning the best is to look to the third-party comments and testimonials describing past clients’ experiences in working with their trusted M&A professional.

John C. Johnson helps business owners exceed their objectives when selling businesses. A certified M&A broker, he is respected and trusted as an award-winning mergers and acquisitions professional. John Johnson is committed to ensuring clients’ success and supporting the quality of the hard choices they face. Johnson is a founding partner of leading U.S. M&A broker and advisor firm, IBG Business (www.IBGbusiness.com)