

What Buyers Look For In A Business Opportunity

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You have built a great business with love and care. It has grown larger than you'd ever imagined, and generates a nice profit that has allowed you and your family to live comfortably. Now you're ready to sell. You assume there's a buyer out there who will pay you a fair price and then nurture the company with the same attention you have. What's more, selling the business is a major part of your retirement plan.

Needless to say, buyers look at businesses differently than sellers. So to achieve the outcome you want, it's important to think like buyers and understand how they evaluate a business.



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What Buyers Look For

There are many types of buyers: strategic and financial, individuals, companies, and private equity funds. Despite differences, all buyers consider how much they'll invest to acquire a business, the amount of risk they'll bear and the potential return on their investment. To evaluate an opportunity, buyers focus on three major areas:

1. Cost and terms

What will it take to acquire the business? How much cash and how much debt? What are the deal's terms and conditions?

2. Continuity

Will the business continue to operate similarly after the sale? Much of the risk of buying a company relates to continuity. For example:

The current owner has personal relationships with customers, distributors or vendors that the new owners may have to struggle to maintain,

The owner has special expertise that is undocumented and difficult to learn,

Key personnel aren't committed to staying, or

Outside competition looms.

Sellers armed with solid responses to these types of continuity concerns are more likely to get their desired price. Even if you don't want to sell your business for a few years, take steps now to ensure it can run smoothly without your personal involvement. That independence could be worth millions when you sell.

3. Growth

Are there unexploited opportunities? You may have focused your sales efforts in one geographic region, but there may be many opportunities to take the product national or international. A buyer that believes it can increase revenues substantially will pay more for the business than one that believes the current owners have already maximized opportunities.

What sellers should do?

It may seem counter intuitive, but the things you may be most proud of can work against getting the best price for your company. Not many entrepreneurs like to boast that their company could run just fine without them or that there are plenty of opportunities they've failed to exploit. Yet these may be the very factors buyers seek, along with lower cash requirements. Please call us for help in understanding how to best present your company for sale.

