

Buy or Pass: Making the Correct Decision

By JoAnn Lombardi, VR Business Sales/Mergers & Acquisitions, President

Knowing When to Move on a Business as a Buyer

As a business opportunity arises, you as the buyer must determine the level of desirability. The assumption is that any business opportunity will be a creative and innovative one. Therefore, think about these points when you are examining a business opportunity as a buyer.

Due Diligence is Limitless

You can spend as much time as you want on due diligence. If you are looking to seriously buy a business, you want to look at every aspect of that business. However, keep in mind a few factors when doing due diligence because you won't have all the time in the world before the seller moves to another qualified buyer:

- Will you know enough about the industry to gain a grasp on the business?
- Is there enough to research the business prior to closing?
- Will the seller be willing to allow you to contact former customers?
- How much money do you have available to spend on due diligence?

Assembling the Letter of Intent (LOI)

There are two schools of thought:

- 1.) Rush through the LOI to take the business off the market.
- 2.) Iron out the major items such as reps, warranties, and key employee compensation. Until the LOI is signed, the business is "in play" for another buyer to come in and negotiate a better deal for the seller. However, you do want to think things through in the event the business in question is not the opportunity you thought it was. Deals Get Done Face to Face. Some prefer to have attorneys involved. However, at the end of the day, the best way for the deal to be completed is for the two principals to meet face to face with a VR business intermediary.

Get the Non-Negotiable Out Early

It doesn't matter if you are planning to move the business to another location and keep senior management. There is no point in drafting a P&S agreement without discussing such vital items as whether it is a stock or asset sale.

Acquisitions Don't Fix Operating Problems

If the business you're buying is not running on all cylinders, then you better determine if the problems are worth solving. The seller should be willing to resolve whatever operational situations that arise before you buy. Otherwise, move to another opportunity.

Expect to Kiss a Lot of Frogs

If the business opportunity fits the parameters of your criteria as a buyer, then don't waste time. Go visit the company's management. The M&A business is a game of intuitiveness, perception, and a willingness to chase down opportunities.



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