



## Taking the Necessary Steps: How VR Can Help Maximize Value

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

Business owners face a myriad of challenges daily. One challenge no owner wants to grapple with is financial distress. But, if you have struggled with declining profits, rising costs, fierce competition, and other overwhelming problems for some time, and the situation does not seem to be improving, selling may be the best solution. There are steps VR M&A Advisors can assist with to maximize your business's value.



### Assessing Value

Deciding to sell your company is never easy. You have invested significant time and emotional energy in your business. But once you determine that selling is your best option, VR will help you begin the process by making a hard-liner assessment.

First, we will find out what your business is worth. A professional valuation gives you a basis for negotiating the sale price and terms with potential buyers. VR will review your financial statements and determine values for assets such as real estate and equipment.

We also can assess the value of your sales volume and determine whether it might be attractive to another company. Your intangible assets, such as people, knowledge, and intellectual property, can be just as important as tangible property; recognized brands, copyrights, trademarks, proprietary customer or client mailing lists, and long-term contracts all can have significant value. Values placed on intangible property, however, are likely to be scrutinized closely by potential buyers.

Once you understand your company's market position, financial status, and strengths and weaknesses, you will have some idea of what you can expect from a sale.

### Give Buyers What They Want

What is valued in the sale of a distressed company is usually different from what is considered in the sale of a stronger, more profitable company. If they are not simply looking to liquidate assets, buyers generally want to see the potential for improvement and signs that internal problems can be fixed relatively easily.

#### Typically, buyers look for the following three qualities:

1. Sales volume potential. A loyal customer base and complementary products and services are major draws. Buyers often seek opportunities to cross-sell with their current product lineup. If, for example, your company manufactures heating and cooling systems and a potential buyer is in the business of selling, installing, and servicing these types of systems, acquiring your line of merchandise could help them strengthen existing customer relationships and cut out the competition.
2. Facilities. A transferable long-term lease in a good location can be valuable to potential buyers because it can mitigate rent inflation risk. Buyers also are interested in acquiring unused facilities and equipment that can be repaired or upgraded and used to increase productivity and generate new business.
3. People. Buyers look for opportunities to maximize underused talent by restructuring job roles and placing them in the right positions. Existing management and company operators, however, must be amenable to a change in ownership. In their efforts to increase productivity, potential buyers might also eliminate marginal performers or replace overcompensated employees.



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Finally, growth potential will not necessarily garner a higher sales price with a distressed company, but it will make the difference regarding whether buyers are interested.

### **Positioning for the Sale**

Because selling a distressed company can be a complex and delicate operation, it is essential to get professional advice as early in the process as possible. VR M&A Advisors, who are experienced in selling financially troubled companies, can help you improve your competitive position and your final sales price. We have a large pool of qualified buyers interested in the kind of opportunity your company offers and can help you devise a strategic plan to identify such buyers.

Allowing VR M&A Advisors to handle the difficult work of selling also can free up your time to continue managing your company's day-to-day operations - including maintaining regular communication with lenders and investors. Communication with major stakeholders is critical at this stage, as they are likely to be overly concerned about the future of their investment. Also, their approval will be essential to selling the business.

### **Where there is a Will, There's a Way**

Selling your company is a difficult decision. But with adequate planning and preparation and assistance from VR, even a company in dire financial straits may prove attractive to a buyer and seller for a fair market price.



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