



White Paper

Successfully Sell Your Business

10 Critical Considerations for Maximizing Value



Contents:

Introduction

1. It Is Difficult to Realize the Maximum Possible Value for Your Business
 2. You Need Certainty That Your Transaction Will Close
 3. Your Legacy Is Important
 4. You Need to Focus on Running Your Business While Selling It
 5. It's Not Always About the Money
 6. You Must Balance All Shareholders' Objectives
 7. Look Beyond Your Industry and Get Advice
 8. More Potential Buyers Exist Than You Think
 9. A Strong Deal Team is Essential
 10. You Need Someone to Look Out for Your Best Interest
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Introduction

If you are reading this—you may be considering how to tackle one of the most important and challenging transactions a business owner will face: the sale of your business.

With over 80 years of combined deal experience, our team has worked with many business owners, across dozens of industries to help ensure they get their business sold at an attractive value.

Initially, many of our clients don't expect the sale of their company to be easy. Most have no idea what it takes to realize a premium value for their business, or how to complete a transaction in a reasonable timeframe. It's important, however, not to let unexpected challenges get in the way of making sure you get your desired result.

Whether you're just starting to think about it or have already begun the process, there are many important variables to consider. This white-paper, will list and explore 10 critical factors that every potential seller should consider when contemplating and planning the successful sale of a business.

Chapter 1:

It Is Difficult to Realize the Maximum Possible Value for Your Business

If you're in the process of making the decision to sell your business, your primary concern may be getting the maximum value for all the work you've put in. In today's market, harvesting the maximum value is dependent on creating a competitive market of willing and able buyers. Buyers will benefit from buying a business just like yours and you should capitalize on the value that you've created.



It sounds simple enough, but when your business is being sold, you'll have to sift through dozens or even hundreds of potential buyers, phone calls and meetings—and only a small fraction of those will be truly interested in paying a market clearing valuation of your business. In addition to time spent communicating with potential buyers, the negotiations, diligence, financial and tax analysis and legal work can drag on as long as you let it.

It takes a significant amount of time and skill position the business as a “must have” asset, contact potential buyers and create a competitive market that will yield the most value for your business. A team of professional, dedicated M&A advisors is necessary to help you realize a strong value because they create competition and specialize in all aspects of the business sale, just as you specialize in running your business.

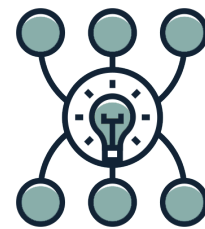


KEY TAKEAWAY: *Achieving the best possible value for your business requires building a competitive market of potential buyers and thousands of hours of highly skilled work. You should work with a team of experienced M&A advisors so that you can focus your time on running your business while achieving a strong value from a transaction.*

Chapter 2:

You Need Certainty That Your Transaction Will Close

Once you're in communication with a potential buyer the sale is far from complete. The buyer will begin to investigate your business and attempt to uncover any potential issues and liabilities. This process can uncover issues that may have seemed insignificant at the time but now may decrease the value of your business or risk upending the sale altogether. A failed transaction can end up costing you enormous amounts of time, money, wasted effort and distraction from your business.



If you are researching a team of M&A advisors they should be able to tell you issues they have overcome during the selling process with other clients. An M&A advisor is often a key part of uncovering and managing issues that you may not have thought were important. For example, if there are tax or legal issues, advisors can work with your existing accountant or attorney to provide expert recommendations on how to navigate the issue with potential buyers and eliminate or mitigate the costs, all while driving a transaction to close.

Whether or not you foresee issues, it is critically important to have multiple good buyers at the table in case one or some lose interest, try to re-negotiate the purchase price or drag due diligence on for an unreasonable amount of time.



KEY TAKEAWAY: *Uncertainties in your business may result in a lower purchase price or wasted time and effort with uninterested buyers. A team of M&A advisors can provide advice from experience on how to manage and safeguard against these issues to ensure your sale is completed.*

Chapter 3:

Your Legacy Is Important

You may be among the growing number of business owners who work hard to create a business that focuses on an ascending long-term legacy as opposed to pure short-term financial results. Whether it's your commitment to improving community, enhancing the lives of employees and their families or maintaining your reputation, it's likely that you have a commitment to excellence within your business that goes beyond profits. This is the legacy you want your business to maintain even after a transaction.



If the legacy of your business is the most important factor when considering a sale, it is imperative to finding a buyer that is committed to maintaining it. Finding a buyer that shares your vision, compounds the difficulty of a transaction.

An experienced M&A advisor can represent the sale of your business to ensure that the buyer is a good fit for your legacy while paying a strong value. Find a M&A advisor that's committed to you, your legacy and the culture that you have created. This ensures that you'll achieve the best value for your business without sacrificing your legacy or other non-financial aspects of a sale.



KEY TAKEAWAY: *It takes an enormous amount of time, experience and a competitive process to attract buyers that will maintain your legacy and pay a strong value for your business. An experienced M&A advisor will negotiate a transaction that will offer a strong value without compromising the integrity of your business legacy.*

Chapter 4:

You Need to Focus on Running Your Business While Selling It

While you're selling your business, you must continue running the business as usual -- after all, your financial performance needs to remain consistent and your business must continue to perform well. If you're planning to sell your business, you should start delegating responsibilities to second level management so that the transition after the sale is seamless. Buyers often prefer a company that has a "deep bench" of managers that will continue to drive value.



You might think that delegating your tasks and responsibilities means you'll have plenty of time to work on the sale of the company -- but that is never the case. The sale process for your business usually takes six to nine months and thousands of man hours to complete. If you choose to sell the business without expert help, you will likely find yourself with an unmanageable amount of work. Or you might end up "taking your eye off the ball", which could result in a lower purchase price or failed transaction. These realities can be hard to face but it's important to acknowledge that you need to continue to run your business during the sale process.

A professional team of M&A advisors will allow you to focus on running your business. M&A advisors take on the heavy lifting of contacting buyers, preparing marketing documents, negotiating terms, organizing diligence requests and closing the transaction. This way you can focus on operating the business and be assured that your transaction is completed.



KEY TAKEAWAY: *Work with a team of professional M&A advisors that will lead you through every step of the transaction so that you can continue to effectively manage your company through the process.*

Chapter 5:

It's Not Always About the Money

Every business owner has personal reasons to keep a business running strong. Security for family members often ranks high on the list. Whether your family is related by blood -- or consists of loyal managers and employees -- you want the security that your employees will be provided the best long-term opportunities.



Security could look like many things: it could mean a promotion for a loyal employee that continues to perform after you've retired. It could mean continued employment for a family member -- or it could mean that family members can continue to weigh in on the strategic direction of the business. In some cases, your primary concern might be that your business continues to provide a good work environment for employees and provides the highest quality products or services to its customers.

Whatever non-financial goals are the most important to you, it's possible to find a buyer who understands and appreciates them. It takes time, patience, careful negotiation and often difficult conversations with right buyer to meet these non-financial goals. The smartest decision you could make is to hire a team of professional M&A advisors that understands your financial and non-financial goals. An M&A advisor often acts as a barrier between you and the buyer to negotiate on your behalf and achieve the best possible outcome for your business.



KEY TAKEAWAY: *There's more at stake for a business owner than profit and there's usually a deep sense of responsibility to employees. It takes a well-orchestrated process to close a transaction with a buyer that will entertain both your financial and non-financial requests.*

Chapter 6:

You Must Balance All Shareholders' Objectives

When multiple shareholders are involved in a company each individual has specific interests in the sale of the business -- and they can often produce a fair amount of conflict or disagreement. Once shareholders begin to contemplate a sale transaction, these conversations begin to reveal the opinions, interests and anxieties that were previously dormant.



Shareholders may have conflicting objectives in a sale. This may impact the type of buyer each shareholder desires. Shareholders who are more concerned about value may be willing to sacrifice the priorities of those who worry about employees' security, and vice versa. An M&A advisor will navigate the sale process in a way that maintains the interests of all shareholders. An experienced and thoughtful M&A advisor will make a point to communicate directly with all shareholders to ensure that no one's priorities are ignored during the sale of the business.

You may know your fellow shareholders well, but you may underestimate the impact of personality conflicts and priority differences. Professional M&A advisors will act as your buffer to handle these conflicts and manage them before they become a deal breaking issue -- all while achieving the best overall terms for your business.



KEY TAKEAWAY: *When a business has multiple shareholders, priorities and personalities can be in conflict. A team of M&A advisors can help manage interests during this period to make sure all shareholders' interests are protected and that all objectives are achieved.*

Chapter 7:

Look Beyond Your Industry and Get Advice

As a business owner you are entrenched in the day-to-day activities of your business. As such, you may be tempted to limit your negotiations with buyers within your industry or through existing relationships and groups that have reached out to you in the past. Your expertise is a key element of running your business, but it can create blind spots in the selling process.



Negotiating with a limited group of buyers within your industry may impair your ability to get the best deal. Before this happens, it's essential to work with an M&A team that will look beyond your industry for potential buyers.

Someone who has experience working with companies in multiple industries has a better understanding of positioning your business to achieve the best result. This can open the door to many more buyers and create value through competition.

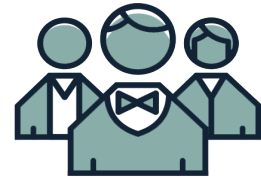


KEY TAKEAWAY: Find an M&A professional with extensive experience to advise you throughout the sale of your business. Professionals who have worked with a variety of industries will have knowledge to strategically position your company with buyers both inside and outside your industry.

Chapter 8:

More Potential Buyers Exist Than You Think

One mistake that business owners often make is negotiating with a small number of buyers. This is one of the costliest pitfalls that business owners make time and time again. To avoid this mistake, a good M&A advisor creates a competitive market across a range of buyer types, including strategic corporations, private equity funds and family offices. Decades of M&A experience creates relationships with buyers that is not easily replicated. During a sale transaction an M&A advisor will often review hundreds of prospects to identify the best buyers for your business.



The search process should be widespread. M&A advisors have industry knowledge and are constantly “in market”, which allows them to separate true buyers from those just kicking the tires. This process requires specialized skills and expert knowledge of multiple buyer types, industries and relationships. It also requires understanding of how to position and market your business to those specific buyers. You may be able to identify a couple buyers, but business owners cannot identify the entire universe of potential buyers. M&A professionals do this for a living and have experience identifying buyers that are willing to pay a strong value for your company.

Professional M&A advisors create a competitive market by engaging multiple potential buyers. This could mean contacting a handful of the right buyers or engaging hundreds of possible buyers.



KEY TAKEAWAY: *An experienced M&A advisor drives value by strategically positioning your business to create competitive demand for your business through decades of experience with several buyer types and industries.*

Chapter 9:

A Strong Deal Team is Essential

Selling your business is a delicate process. Between pleasing shareholders, managing operations and negotiating with buyers who are willing to meet both your monetary and non-monetary goals, it's hard to believe that there are more guidelines to selling your business than what we've already outlined -- but there are.



Be sure not to underestimate the role of the deal team in the sale process. Your M&A advisor, attorney and accountant should lend knowledge from prior M&A experience. The M&A advisor is essential to quarterback the entire process by driving value, maintaining communication between all parties, handling requests and ensuring that you have ample time for daily business operations. This mitigates the impact of any possible issues, makes sure all parties are held accountable and ensures your transaction is working towards a close.

To efficiently manage the intricate details of the sale, it's critical for you to place a 'quarterback' in your deal team with a significant amount of M&A experience. This should be a professional M&A advisor who will work with you and will use their experience to help overcome any obstacles that may arise.

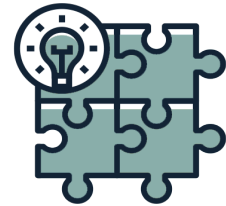


KEY TAKEAWAY: *You need to have an experienced M&A advisor to quarterback the deal team. The M&A advisor will help your business overcome any potential hurdles and help you reach your monetary and non-monetary goals.*

Chapter 10:

You Need Someone to Look Out for Your Best Interest

Selling your business can be emotional and distracting. You will be required to navigate an overwhelming amount of choices, decisions, possible outcomes and external pressures. Since most business owners only sell their business once, you have one time to get it right. With the right support and direction, your choices can positively affect your business legacy and family for generations to come.



During a sale, some business owners lean on their family, colleagues, and friends, while others will solely rely on the input of their accountants and attorneys. However, to truly succeed in the mission of selling your business, you need to rely on someone who has experience closing transactions many times over.

It is critically important to align yourself with a professional M&A advisor who will look out for your best interest and work tirelessly to successfully sell your business under the best possible terms.



KEY TAKEAWAY: *Work with a M&A advisor who looks out for your best interests. An M&A advisor is best suited to drive value and achieve the favorable deal terms, as they will bring decades of experience and uphold all of your priorities in selling your business.*

Let Confluence Be Your Trusted M&A Advisor

With over 80 years of combined deal experience, and nearly \$2.0* billion in transactions, Confluence Advisors works every day to help companies through critical business transitions, enabling clients to achieve their personal and professional business goals. Our team has a strong background in mergers and acquisitions, operations, accounting and banking. We work side-by-side with our clients, developing long-term partnerships that are rooted in mutual trust and unbiased guidance. We are a leading Pittsburgh based investment bank specializing in business sale, capital raise and acquisition transactions.

*Aggregate transaction value is derived from transactions completed by the principals while at Confluence Advisors, LLC, two other Pittsburgh based regional investment banking firms and one corporation.

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