



Column by **John Burley**

Taking Your Business to Market

With the valuation work and preparation complete, you're ready for the M&A market. Take our advice to protect your company and get the best deal possible.

Putting your company on the market should not be taken lightly. The process involves many steps and requires a well thought out plan. Unlike real estate or the public stock market, there is no single listing of businesses for sale. So, how do you reach potential buyers without the whole world, especially competitors and customers, knowing that your company is for sale? How do you set yourself up for effective negotiations? How do you present your business effectively? What steps are involved? Read on, we answer these questions and more.

Reaching Buyers

The best way to reach buyers, and do so confidentially, is to hire an expert. The type of expert that will be best for you will depend on the type and size of company you are selling. Companies with less than \$1 million in sales, such as smaller retail establishments and such will probably be best served by a business broker who will provide access to buyers and keep things confidential. Larger, but still small firms with more than \$1 million in revenues and especially services, technology, government and other sophisticated companies, are often best served by an M&A advisor who will negotiate the deal and advise you all the way through closing.

No matter what type of expert you choose, they should have access to the numerous venues and marketplaces to connect with buyers. Some are public and you can access these on your own for a fee. Others are for the experts only. In addition, a good advisor should have contacts in your industry and have the ability to leverage their network to reach buyers that might not otherwise be accessible through the market venues. Your advisor should also have the means to effectively profile companies, private equity groups, and investors that would be a good fit for your firm, and reach out to them directly. Most seasoned advisors will have direct access to these and an internally cultivated database of buyers. There are certainly databases of buyers that are accessible to all the experts, and yours should access these, but be specific when asking your advisor about their own network and internal database. And finally, be sure to select an advisor who will work with other advisors and compensate them for referrals. A good firm will reach out to the thousands of brokers, advisors, and investment bankers to make sure that you have access to as many buyers as possible.

If you are trying to sell on your own, still look to employ as many of these strategies as possible. Listing your business on a web site alone will not create the competitive environment needed to negotiate the best deal, and calling competitors on your own is risky business.

Presenting to Buyers

A good firm will engage buyers first on an anonymous basis, often using an anonymous profile of about 2 pages to gain their interest. Whether you are handling the sale on your own or through a firm, be sure to test your profile to ensure it is truly anonymous. Many people cut and paste from the company's web



site and strip the names, but a few lines typed into Google can pull up the website in a flash and all confidentiality is gone. Also be sure that it incorporated the following tips:

- Forget the marketing jargon – describe what the company actually does
- Don't use flowery adjectives
- Describe the customer base and employees
- Include revenue and profit figures (even if they are less than impressive)
- Give narrative details on financials

After the buyer has been screened by you or your advisor and a confidentiality agreement has been signed, the buyer will typically then be presented with a book on the company, sometimes called a Confidential Memorandum, Information Memorandum, or similar. This is effectively the “presentation” on your business and it should be a substantial document. With attachments and exhibits, these books are often 30 – 100 pages or more. Some of the areas that should be covered include:

- A thorough executive summary
- Summary of products and services
- Description sales and marketing processes
- Overview of the customer base, contracts, vendors and partners
- Bios of key management that will stay post-acquisition
- Org chart and personnel overviews
- Detailed financial narrative
- Detailed adjusted financial statements (not just summaries)
- Credible and supported projections, if applicable
- Summary of deal expected deal terms and level of flexibility

Engaging the Buyer

After you or your M&A firm have courted the buyer anonymously, signed confidentiality agreements, presented the book on your business, and answered initial questions, the next step is often a meeting or conference call direct with the buyer. This is where the relationship building begins and the buyer can really buy-in to your business. The key in these meetings and calls is to be credible and forthcoming. This is your chance to “sell” the buyer on your company, but don't oversell it. This is also not the time for negotiations. Let your advisor handle that offline, or come back to that topic at the next meeting if you are negotiating the deal on your own.

Preparing for the Offer

It is common at this stage for a buyer to make an offer or pass. As you begin to consider offers, be flexible, there are dozens of potential deal structures and the right one will vary from buyer to buyer. Remaining flexible and maneuverable is one of the key to getting the best deal possible.

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John Burley is president of Burley & Associates, Inc., a national mergers and acquisitions firm with offices in Washington DC and New York. His primary areas of expertise include business valuation, acquisition consulting, deal structuring, negotiations, and due diligence. Mr. Burley and his firm provide professional services to small businesses seeking to be acquired or grow through acquisition, including business valuation, identifying buyers and acquisition targets, negotiating Letter of Intent, deal structuring, managing due diligence, and closing transactions. Mr. Burley has also served as President, Vice President, and Director of various technology companies ranging in size from \$1 million to \$200 million in annual revenues. With over 14 years experience in the technology sector and mergers and acquisitions, Mr. Burley has led numerous corporate acquisitions, and is an acknowledged expert in the sale, merger, and acquisition of small and mid-size companies with a specialization in technology companies.

Mr. Burley is also a published author of articles relating to mergers and acquisitions, business valuation, and the technology industry. He and his firm have been expert guests on talk shows, and have delivered numerous seminars and trainings on topics including corporate development, M&A, and business valuation. Mr. Burley has extensive training in financial management, financial recasting, and mergers and acquisitions. He is a Certified Business Transfer Specialist and Certified Financial Recasting Consultant, and is a member of the National Association of Certified Valuation Analysts.

As a leader in the community, Mr. Burley has also served in roles ranging from volunteer to committee chair. He is the recipient of numerous awards from the State of Maryland Department of Education, the Montgomery County Council of PTAs, and other non-profit organizations.

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