



An Insider's Guide to the Maze of Selling Your Mid-sized Private Company

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Whether you are a corporation looking to sell off a non-core business holding, or an owner looking to sell the company you've built, you want the same thing:

First, to intelligently consider, compare and evaluate all your options.

Then, if it is a sale you desire:

To sell at an optimal value.

To ensure your employees are fairly treated.

To achieve the sale without endangering the business, its competitive position, or its intellectual property.

To canvas all the possibilities with utmost discretion.

To do it all in a time- and resource-efficient way.

To get back to your core business. . .

. . . or to your new life.

Then there are the many tactical questions and considerations.

The following are only some of the questions and concerns we have gleaned from our clients and personal experiences over the years, as advisors, principals and private company executives:

What is my company worth?
If need be, how do I increase the value of my company?
When is the right time to market and sell the company?
How do I do it, exactly?
What is the optimal process for me?
Where do I start?
What are the key steps?
How do I protect myself and my company?
How disruptive will this process be?
Can I do it with my team, or do I need an advisor?
What are the costs of this process and the terms of engagement?
What are the timelines of this process?
Which of my employees do I bring into the loop?
Are the market conditions right for a deal?
What are the current deal terms?
How should I structure the transaction, cash vs. shares for example?
What can I be doing now to get prepared?
Where do I go from here?

Over the next ten instalments, we will attempt to provide insights on many of these and other important questions.

We can't cover all the bases here, but hope we can illuminate the topic of selling your private, mid-sized company and planning for the exit, and providing insights on areas for further examination.

Watch for upcoming instalments, and happy reading!



Part 1 – Get ready to answer suitor’s call

What if, out of the blue, you get a phone call from someone who says he has been watching your company in the marketplace, likes what he sees and has plenty of cash and can move quickly to purchase it if everything checks out?

If this would come as a shock, you are already behind the eight ball, but you’re not alone.

Most small to mid-sized business find it difficult to just focus on running the business.

But you should know in this economic climate, corporate buyers are generally lean operationally, still flush with cash and increasingly willing to find low-risk growth opportunities to append to their existing businesses in a slow organic growth environment.

Meanwhile, financial buyers (private-equity funds, search funds and individuals) are realizing there is money to be made in the small end of the mid-market while limiting their financial exposure to any one investee.

The era of the megadeal is over for now, and large-cap deals are tough to do with tight credit.

General investor fear is driving the action toward safety in diversification of more conservative small to medium-sized deals.

In fact, buyers have been trolling the small end of the market for a few years now, making mergers and acquisitions a reality in even the most traditional, “unsexy” industries.

If you aren’t following the action in your industry, you may miss the opportunity created when you find yourself in a buyer’s cross hairs.

Many industries are being consolidated actively, with the middle-tier being turned into acquisition platforms to create new, larger players.

These emerging leaders can then attack the long-standing leaders who may be struggling with legacy issues.

Small players can then move into the vacuum created in the middle-tier, often by becoming mini-acquisition platforms themselves.

Business owners often feel they have all they can handle managing the operations side of the business in this economic environment.

It’s hard to find the time and energy to step away and think strategically about the business and personal finance planning.

However, they would be wise to plan before a suitor comes calling.

Before you begin to take the steps necessary to prepare your business for sale, you first need to figure out if you are indeed a seller or a buyer.

Small businesses are one or the other, but they are never neither. It is just a matter of timing.

To figure this out, start talking it through with someone you trust. Boards, advisory boards, professional advisors are the traditional routes.

If you have none of these, it can also be friends or key employees you can bring into your “inner circle” — they may be shareholders in your company or could become so.

The key is to start thinking this through, even informally:

The initial context is often personal:

What do you want personally and what is the timeline?

What is your age and level of energy?

What excites you these days, work or pleasure?

What are your resources inside and outside the company?

Are you looking to take risks, or avoid them?

How important is the business to your financial well-being?

Do you have special family considerations, like inter-generational succession plans?

The broader context is business:

What is the capital position of the business?

Is your business currently generating or using capital?

How does this look to change as your industry evolves with technology, social trends, and competitors from inside or outside your industry?

Is your business getting tougher or easier to generate returns in, and why?

What is your business worth in the current market?

Your response:

If you don't have this context figured out, dealing with that phone call is fraught with risk.

If you blow off your suitor, you may have just turned off the natural buyer of your business.

If you are too friendly and open, you may have fed commercially sensitive information directly or indirectly to one of your main competitors.

Get them to do the talking:

Who do they represent: a financial buyer or a strategic buyer?

What is their vision?

Why are they an acquirer?

How do they look at valuation of their targets?

What are their parameters in terms of target size and type of business?
Have they done any deals yet?

What is their process?

What is their ultimate goal here?

The bottom line:

Be skeptical about everything you are told, and don't be rushed.

Make them identify themselves, and the buyer if it is not them, or at least be clear about what their process is and prove their credibility.

Don't blindly trust them when they say they will pay generously provided you give them information first.

Share information with care.

Be respectful and not dismissive, but don't show your hand. You don't need to say what you are thinking or what your plans are.

You can agree to think about what they have said and to have an ongoing dialogue. This will buy you the time to dive in and decide whether you are a buyer or a seller, and then get into the right process based on which you are.

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If you want to discuss selling your company further with us, contact:

Brad Cherniak,
Partner

Phone 416 322 0993

Email brad@sapientcap.com

www.sapientcap.com

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