



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

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CAPITAL PARTNERS

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 10 - Do you need an advisor to respond to an unsolicited offer for your business?



At Sapient Capital Partners, we are frequently approached by entrepreneurs and business owners who want to do a wide range of things—from the simply brilliant, to the challengingly complex, to the fatally flawed.

Sometimes we can help. Other times, they are just not in position to succeed.

Or they are too impatient to do what is necessary to succeed.

Here we will try to offer unvarnished insider insights to your questions in one particular situation, namely in figuring out how you best respond to an unsolicited approach by an investor/buyer regarding your small- to medium-sized private company.

"Do I need an advisor? The other party says we don't need one — we can do this ourselves in a friendly deal."

Of course they'll say that, it's like asking a hockey player whether he'd like to cover your kid brother in a game, or Nathan Mackinnon (okay that's a bit hyperbolic, but the point stands).

Bottom line, whatever you do, don't rely on your adversary to tell you what's in your best interest.

And if you don't think they are at least your financial adversary, you will almost certainly end up as their prey in one form or another. Don't be naïve.

Capitalism is wonderful and history's greatest generator of wealth, but it is still a combat sport.

So, yes, you most likely need an advisor — unless you have sold several businesses and have the scars to prove it.

And you have the time to devote to the process outside running your business.

"Do I need a specialist advisor with specific and significant experience in my industry?"

If you are a small- to medium-sized client, and the seller not the buyer, a specialist adviser would more likely be looking out for the buyer's interests, not yours.

They will tout that they do many deals in your sector, and know all the buyers.

They have probably done multiple deals with some or many of them.

But importantly, selling your company is a one-time event, while they will meet up again and again with the same buyers.

Do you think it is more advantageous for these advisers to curry the favor of their repeat customers by getting them sweet deals, or risk falling out of favor by aggressively representing the seller, you, to maximize your value and get you the best transaction terms?

And it doesn't take much to turn the tide in the buyer's favor.

In addition, the industry experts these advisers tend to trot out when they are wooing you as a client are there more to impress you than the buyers.

Save for very specialized industries and situations, the only industry expert needed is generally the business owners themselves.

It is more important for the adviser to have a broad range of deal and transaction experience in a variety of economic and capital market cycles, as well as a range of relevant (e.g. technology/IP-based) industries to draw insights from.

Smaller deals with smaller companies tend to have far more material unique features and circumstances than large corporate deals, requiring this practical experience.

There are also far more with imperfections — opportunities for buyers to try to hit you with them like a club to gain the advantage in the negotiations.

So, negotiating skills, experience in the deal trenches, and the ability to work with imperfect information and facts are your main defense.

"How do I pick an advisory firm that will be with me to the finish?"

It is very easy and cheap to set up a flashy website and hang an 'advisor' shingle up, so this uncertainty is higher than ever.

The individual(s) may be talented, connected, and effective, but their attention to you and your company could be fleeting if the 'firm' is only a transition to something bigger and better for its founder(s).

Bottom line, if the firm hasn't been around for at least five years as it is currently constituted, and it can't show you transaction tombstones and client testimonials under that firm's banner specifically, you can't be sure.

. . .

Bottom line, you need to find yourself an experienced, successful adviser who specializes in small to mid-sized businesses exclusively, and who has done so for more than a short, and potentially interim, time.

Don't try to self-advise, you'll most likely regret it.

Remember, capitalism is a contact sport, if not a blood sport.

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

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