



FINDING A BUYER FOR YOUR BUSINESS

Many owners of SME's with annual revenues ranging from £2m to £10m, who are in the process of selling their business, decide to undertake this process themselves. Many have built these operations from scratch with can-do attitudes and take-charge personalities. However, an owner that leads his or her own merger or sale faces difficult challenges throughout all stages of a deal. His onus should always be on continuing to run the business

So start at the beginning

To avoid business disruption, maintain confidentiality, professionalise the process and maximize pound value for the company, you should outsource the M&A process to an intermediary.

With the right M&A representative acting on behalf of the seller, owners can concentrate on operational continuity while occasionally being tasked to provide operational, financial and related information to facilitate the process.

With the seller's acquisition/partnership preferences in hand, the intermediary initially focuses on reaching out to operating companies and financial investors to communicate the company's selling interest. The intermediary also has an important role in filtering through the initial interested parties and select choices for the owner.

A proper filtering process saves the business owner a tremendous amount of time. There is typically only one final buyer. As such, sellers must ensure information is not disclosed to potential competitors without due course and should outline an approval procedure for entities in the same sector or industry. Typically, owners have a strong knowledge of the of their competitors and know outright to whom they would consider selling.

Having said all this however, you may want to try selling the business yourself, here are some ideas:-

Work your own networks to track down the perfect buyer, either through your existing network in your industry or through investors and other channels. Once you get the word out that your business is on the block, deal opportunities may start to flow in. The clearer you can be about what makes your business attractive, the more qualified buyers you will find.

Start with accounting firms, business brokers, investment bankers, and lawyers with whom you have worked, particularly those with knowledge of your industry. Some can even help you refine your approach to the sale at the same time they are connecting you with potential

buyers. They will be in touch with buyers who are looking for opportunities. Each of these sources of deal opportunities has different strengths and motivations for helping you in your search.

Business brokers. Business brokers are the matchmakers of business world. However, sometimes these matches are not "the perfect match." If you want to market your business without paying any fee, brokers maybe the choice, as sometimes the buyer pays the fee.

Accounting and Law Firms. For most business owners contemplating a sale, the first two people who will hear about it are the company's accountant and lawyer. They might know of potential buyers. Of course, you can also look beyond your own accountants and lawyers to contact other firms that serve the same industry. As close advisers to business owners, accounting firms may have a direct line on other companies in an industry or buyers looking for opportunities in a particular area.

Active and Retired Senior Executives. Other executives in your industry are often a good source of opportunities. Even former executives continue to be well connected and usually have fewer conflicts in recommending potential buyers. Use your networks in the industry, and ask your contacts for suggestions of other executives to talk with about potential buyers. This can be a great source of inside information specifically targeted to your business area.

Industry Associations. Industry trade publications and trade shows also could be a source of potential buyers. You are probably looking at these anyway, but you might see them through new eyes now that you have a business to sell. If not, go on their websites to see when and where the leading trade shows take place and learn the names of the leading trade publications. You'll make contacts that could lead you to buyers. You might also look to the trade publications and trade shows of your customers and suppliers.

Banker's contacts - may come in especially handy. In some circumstances, for example, there may be foreign or domestic companies that are simply looking to acquire a new line of business as a way to diversify their holdings. They could be building an old-line conglomerate, and your business may fit into their puzzle somewhere. It will normally be your banker who has broad enough contacts to know about companies pursuing a new direction, which can present such an opportunity

Individuals with very high net worth - who are looking to acquire companies or positions in companies. Like the corporate buyers above, these people are normally not easy to identify, but they are out there. They often have hired bankers or accountants to help track down deals, and they may have idiosyncratic patterns of investing, so that is another good reason to be out there networking.

If you are putting your business on the market you need to consider what Data in the market place is essential and desirable.

Prepare a Selling Memorandum. One of the best tools to promote the sale of your business is a selling memorandum. This is essentially a Business Plan in reverse. It should present all the important information about your company, products, industry and market in an easy-to-grasp format that presents your company in a very positive light.

The elements of a selling memorandum are very similar to what you would find in a business plan that was prepared for a venture capitalist or a banker. You will need to start with an executive summary that briefly lays out your key selling points and tells the buyer why you want to sell. The buyer will always want to know why you are selling, so have some plausible explanation ready that casts your business in a good light!

You will also need sections that describe the facts about your company's history, structure and operations; the asking price and basic terms you are looking for; your industry, market and products; your employees and physical assets; historical and projected financial statements; and any other information that will explain who you are and why your business is such a strong opportunity. Keep in mind who your audience is and don't divulge any information that you wouldn't want your competitors to see; on the other hand, remember that a lot of your financial information is publicly available anyway, so there's no need to be paranoid.

Your selling memorandum is essentially a marketing piece and it's likely that your business broker will want to have a hand in creating it. In addition, you should run it past your lawyer and accountant (in fact, it's likely that your accountant will provide the financial information you include). It's important to make sure that your statements are accurate and not misleading or incomplete and that your projections and written expectations for the business are reasonable.

In particular, if problems exist, don't try to cover them up. The buyer will find out eventually and will probably distrust everything you say after that. In the worst-case scenario, you could be sued for fraud. Instead, where problems exist, briefly state the problems and then present one or more possible solutions. For example, if your revenues have been falling off but you think a new advertising campaign will drive up sales, make sure that the two ideas are linked in your memorandum.