

## Maximizing Value

If you've ever sold your home, you likely invested time to "put your house in order." When considering the sale of a company, failing to take the steps necessary to prepare the company for sale is a surefire way to limit your ability to maximize the value you will receive in a sale transaction. As a consequence, you will likely receive offers that have been discounted to reflect foreseen and unforeseen risks by the potential buyer. This often results in a sale at a price less than maximum value.

The nice thing about preparing a house for sale is that you can take the necessary steps to get it ready to show in a relatively short period of time. There are skilled craftsmen, decorators, landscapers, you name it just a phone call away that are ready and willing to assist you. In the case of a potential sale of the company, a similar cast of professionals (investment bankers, lawyers and accountants) can assist with the transaction and the maximizing of value. However, this is where many of the similarities end, as the dollars involved, confidentiality required and process undertaken raise the level of intensity and preparation to a higher level.

Even with the best of reputations, stellar financial results, and a long business history, the key to maximizing the value you will receive in a sale transaction often comes down to one factor – timing. If you watch CNBC, glance at a Wall Street Journal on occasion, or read publications that cater to your industry, you may have noticed that a lot of deals are getting done and that the environment for transactions involving businesses both large and small has been healthy for several years now. Buyers are flush with cash, and banks and other lenders are eager to finance acquisition transactions. Stock markets have performed well in recent years, providing public companies with the added benefit of using their stock as a currency to pursue acquisitions.

Liquidity in the financial markets and the ability on the part of buyers to access capital are a seller's best friend. Furthermore, with an abundance of capital available to be deployed by private equity groups, high net worth individuals, and other potential buyers of companies, attractive valuations being paid for well-run businesses have convinced many business owners to consider selling. The good news for business owners that are considering a sale of their company is that the bar remains open.

Willing and able buyers aside, there are other factors that require consideration in addition to steps that should be taken to maximize the value of the company in a sale transaction. It certainly doesn't hurt to have the business performing well in addition to strong growth prospects to whet the interest of potential buyers. To this end, it is very important to be able to demonstrate that the future of the business remains bright, as companies are bought for what they will do, not what they've done. In some instances, the investment of time and money in new or additional depth to management, equipment, IT systems or a host of other areas can pay huge dividends towards achieving a higher sales price, even if it does mean delaying the big payday for another year or two. Additionally, if the business is somewhat cyclical or is otherwise suffering from a less than favorable operating environment, postponing going to market until more positive

financial performance can be illustrated may be the best course of action in order to maximize the sales price. Finally, maintaining adequate accounting records and supporting documentation can make or break a deal during the due diligence period. As painful as it sounds, if your company does not have an annual audit performed or, at the very least, you are not in a position to provide financial statements that have been reviewed or compiled, it may be time to engage an accounting firm.

Finally, appropriately marketing the company with prepared information and creating a competitive environment among interested parties, a task for which investment bankers are typically engaged, are important components towards maximizing value.