Press Release

More press releases»

Top Five Things Investors and Business Buyers Look For

Mar 30, 2015 - (Newswire)

During the past ten years, our firm has seen consistent behavior among investors & buyers when they contemplate a company investment or a company acquisition. “As a matter of fact,” says Achim Neumann, President of A Neumann & Associates, LLC, a New Jersey-based Mergers & Acquisitions and Business Brokerage firm, “the point of time when an investor loses interest or a deal falls apart is fairly predictable.”

Seller Response (aka “Deal Motivation”)

Most business buyers – as well as seasoned investors – have been “burnt” in the past with “wannabe” business sellers. Typical telltales for such sellers include a hesitation to accept an offer even after several legitimate business buyers have been introduced, referring all matters to the (sell-side) attorney, or being unable or unwilling to provide the latest financial information. In other words, consciously or unconsciously, the seller is doing everything to delay the deal or make it impossible.

Investors looking to buy a business are very sensitive to such behavior, as they have seen it before, and they do not want to spend up to $10,000 in accounting and legal fees for due diligence, and three months of their own time, with a seller who ultimately does not want to move forward with a transaction. Thus, it’s imperative for the seller to be responsive and react immediately to buyer requests.

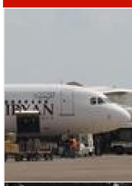
Professional Business Presentation

The most critical marketing document, the Confidential Memorandum, needs to include tax-return-based financial information, a detailed asset listing, growth projections, and current and projected EBITDA and true Sellers Discretionary Cash Flow (SDCF) – including all the personal expenses that an owner runs through the business (such as vacations, second homes, etc.), as well as a an outline on how the business operates.

For example, what is the company’s competitive advantage? How does the company attract customers? Are revenue streams recurring? Which contractual arrangements exist? What kinds of personnel are in place? These are just a few topics that a Confidential Memorandum needs to address if you’re entering the process of buying a business or selling a business.

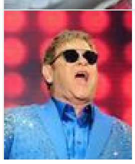
It is paramount that the financials are consistent. For example, it’s not acceptable for the

TOP NEWS
LATEST NEWS


Op-Ed: Gunfire in Tripoli and airspace closed again
Like Share 1


Israel's 'chained women' fight for right to divorce
Like Share 0


Pakistani Taliban taunts PM after Easter attack
Like Share 0


Israel rejects 'delusional' claim Elton John asked to declare loyalty
Like Share 0

tax returns to be on the accrual basis, alongside cash-basis P&Ls for the current and future years. Similarly, the usefulness of the financial information is compromised if the asset details in the Confidential Memorandum are grossly outdated.

Growth Perspectives

Without exception, all buyers want to see that a company has potential for growth. There is not a single buyer who will simply buy a company for its current performance. Thus, a seller needs to outline what growth paths exist, what plan needs to be implemented, and what capital infusion does such a plan require. The current business owner, being intimately familiar with the business, is the most qualified individual to provide guidance for such growth. Naturally, the growth prospects need to be realistic.

Without a credible company growth plan, a successful sale is very unlikely. Buyers and investors are motivated by a positive cash flow and good company growth projections, and they need to see them documented.

Management Continuity

Almost all buyers want to see continuity in how a company is managed. The very first question typically is: who will stay and who will go?

Buyers seek continuity, and studies have shown that in less than five percent of mid-market transactions will a buyer make any significant personnel changes in the first 12 months of ownership. The management team is an important part of the “goodwill” for which the buyer paid at the closing table. It would not be smart to destroy such goodwill.

Thus, the Confidential Memorandum needs to include an organizational chart, identification of key personnel and their tasks, and an outline for a transition.

Improper Legal Representation

Another major concern for business buyers is for the seller to have proper legal representation. Rest assured, the buy-side’s team will include an attorney with extensive transactional background, and the most frequent cause for terminated deals is a sell-side attorney who is not familiar with the “ins and outs” of business sale transactions and has to “read up on” them. This situation nearly always results in delayed and erroneous responses to the buy-side’s legal counsel.

“In all our years of operations, we have never had a single scenario where the buy-side attorney was not an astute, well-experienced transaction attorney,” says Frank Arcoleo, Managing Director, Central Pennsylvania. “However, we quite frequently see sellers hiring attorneys that are simply not strong in the field of business transactions, and consequently, kill the deal. Needless to say, it puts our firm in the precarious situation of having to advise the seller that his or her chosen attorney cannot successfully close the deal.”

In summary, if a seller is sensitive to the five major concerns outlined above, and addresses them accordingly, a seller’s offer will attract more buyers to their business, generate appropriate dialogue, and lead to a successful closing.

A Neumann & Associates, LLC Newsroom

Original Source: http://www.newswire.com/press-release/top-five-things-investors-and-business-buyers-look-for