

Business Sellers - Own the Process with Leverage

A business has an innate transaction value that is derived through market research, comparable analysis, and insight into previous similar transactions. However, there is one key aspect that this approach fails to capture within the valuation process - leverage.


Leverage is a crucial aspect of the sell-side process. It can change the value of a deal by hundreds of thousands or millions of dollars (depending on the size of the business and the nature of the transaction). For example, sellers are often approached with flattering offers from larger companies hoping to establish leverage within a deal, causing an anchoring effect. The anchoring effect is a reference point set by the initial offer in a negotiation.

You are negotiating against a team of professionals that work for the buyer with the buyer's best interest in mind. You, as the seller, must be prepared to engage with the buyer. If you fail to do so, there are three key places where you could be losing value.

1. Without stirring up interest or professional marketing for the company, there will be no potential competitors, or bidding wars, to drive a higher sale price.
2. Because of #1, the potential buyer owns the process. Therefore, the buyer can continue to drive down the closing price through deal terms in the pre-LOI / due diligence stage.
3. The financials or representations of the company are not optimized and are picked apart by the buyer.

To own the process and maintain leverage, it is important to do your own market research and due diligence. Your financials also need to be in order and presentable. Lastly, and most importantly, engage an investment banking advisor you can trust. The investment banker will navigate you through each step of the process and bring you across the finish line.





When working with the SEA team, the seller gets experienced M&A professionals who can talk to the buyer's representatives. We will tell you what to expect, what is "normal," and what is not. We'll actively check the market while negotiating for the deal structure and price you want and deserve. And we'll make sure to close the deal with integrity.

As an investment bank for entrepreneurs, Strategic Exit Advisors helps owners achieve their ultimate exit by focusing our process on strategic buyers willing to pay higher, strategic multiples. The first step to your ultimate exit is just a phone call away! Give Strategic Exit Advisors a call today and control the process.

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