Persient™
Mergers and Acquisitions

Selling Your Company for Top Value

6 Hidden Costs of Selling Your Business on Your Own

4 Approaches to Selling

By: Ashish Jariwala, Founder and Managing Member, Persient LLC

info@persient.com

Unlike selling a home, with clear specifications and readily available neighborhood comps, selling a business is a different beast entirely. Why is that? Owners often think the process should be fairly simple and straightforward. After all, you know the company better than anyone else out there. You have sold your products or services to customers for years, so how hard could it be to pitch your business to prospective buyers? While every situation is unique, we urge business owners to consider the saying: **"Just because you can, doesn't mean you should."**

6 Hidden Costs of Selling Your Business on Your Own

It's important to understand the hidden costs of selling your business on your own before you proceed:

1. Lost Focus

As a business owner, your prime focus should always be on effectively running your company – that is, in protecting your prized asset. The last thing you want is to encounter any disruptions or slowdowns in the business while you are trying to sell. Undertaking dual roles will likely result in being ineffective at one (or more likely, both). If you want top-notch value and exceptional experience, there are many things that go into it, how you prepare and go to market matters, where you look for buyers matters, and to whom you speak matters. Losing focus can be disastrous and making corrections mid-course could set you back in time or lower the value of your business.

2. Lack of Preparation

Today's buyers are sophisticated and supported by an army of professionals who will rip through every detail of your business, especially when they get the sense the wheels are loose or appear to be coming off. While they may be friendly, they also have responsibility to their investors to make sure they are not paying tens or hundreds of millions of dollars to make on an unwise investment. If you are not well-prepared and trained in these types of transactions, it can result in a dragged-out process, lost resources, deal fatigue or even a deal failure. Typically, a failed first attempt results not only in lost time/ resources requiring a cool-off period *(read: missed window of opportunity)*, but also a price discount of at least 20% for the boogeymen risk or damaged goods discount. At the minimum, the misstep will likely cripple both morale and operations.

3. Confidentiality Risk

Doing it yourself means forfeiting confidentiality. If critical details are divulged early in the process, it can have disruptive consequences – externally in the marketplace among your

Carin Canale-Theakston,
CEO - CanaleComm

"I think relationships are significant. I was most concerned with the relationship that I would have with the investment banker. When I started this process to sell the company, somebody said to me, "you might not need a banker." And I am so thankful that I did not follow that advice because one of the best parts about having the banker is all the negotiation of so many details beyond the purchase price they handle. I think we absolutely had visibility on all the terms beyond the price before we picked a buyer. There is no way my final deal would have been as good without Ashish."

customers and suppliers, as well as internally among employees. Without strict controls in place, managing rumors, emotions, uncontrolled spread of sensitive business information, and reputational fallout can quickly become a full-time job – or worse, a PR nightmare. Plus, the knowledge that your company is up for sale will immediately devalue your business and diminish your negotiating leverage.

4. Poor Positioning

Unlike a home, a business is a living, breathing entity that changes on a daily basis. Each business is vastly different – even among other companies in the same industry. Their achievements are different, their stories are different, and their unique value drivers are different. All these aspects are viewed and perceived differently by different buyers, based on their own experiences, risk/reward appetite, culture/personality match, and, more importantly, their need at that particular point in time. So, positioning the soft issues of your business, tailored to each buyer, becomes paramount to generate interest and extract premium valuation for your business.

5. Lost Leverage

Given the fluid and dynamic nature of each business entity, there are many aspects, besides price, that need to be

Annemaria Allen,
CEO - The Compliance Group

> I'm the CEO of a company but I was more the idea gal. The numbers were daunting to me. And that is a huge area of support that your guys provided. I had smart people working for me, but not to the level that was needed for a sale. Just going through that whole process of putting the book together and evaluating the numbers and really working with us was critical to the final success of the deal.

addressed, vetted, and negotiated before picking a buyer. This includes considerations such as purchase agreement structure, employment agreements, working capital, and settling on ideal indemnity and rep and warranty provisions. Even though you may know what acceptable market terms are, pushing back on buyer demands requires you to tactfully negotiate without sounding unreasonable, which is best done when you have leverage – lack of which may end up with you ultimately holding the liability bag, without any upside. More so, without multiple offers in the mix, you will likely lack the confidence to challenge the buyer.

6. Lack of Objectivity

Selling your business is a complicated, emotional process. It's your baby, your achievements, your scars – a reflection of you. When millions of dollars are at stake, egos often get involved, discussions become sensitive, and emotions go on a roller-coaster ride. Not just for you, but also the buyer. You want to be price-sensitive, but not greedy or over-eager, and most importantly, to get the deal done. Plus, if such conversations take an unpleasant turn, you and the buyer will likely not want to work with each other, which can easily kill the deal. For many owners, negative experiences during the sale process can cause them to make rash (and unsound) decisions in an emotional moment.

Kevin Clark,
CEO - Vitrek

"I think it boils down to how you guys communicated with potential buyers. You didn't mess around. You provided them valid information so that they could make an upfront decision.

Plus your energy level and willingness to work hard to get answers from all the prospects was just outstanding. It did the job for us, and I'm really pleased. Perfect."

Whether you ultimately decide to sell your business yourself or hire an advisor skilled in mergers and acquisitions, you will want to extract premium value. There are several different ways to approach the process, each yielding a different result.

4 Approaches to Selling

For illustrative purposes, let's suppose you are the "Picasso" of your business, and you are looking to sell your work (in this case, art). What approach would you take?

1. Sell yourself in a negotiated sale with limited buyers – This approach involves reaching out to other artists/galleries *(read: competitors)* or responding to art enthusiasts/collectors inquiring about your work *(read: making unsolicited offers)* with the hope of buying it cheap before it hits the auction market. You need to be careful that these one-on-one negotiations do not end up putting you in a reverse hostage situation.

2. Sell through an art gallery – This requires your art to be listed at a fixed price *(read: no premium for your intangibles or synergistic values)*, while you passively wait with fingers crossed hoping that enough qualified buyers find/view your work through the gallery's localized mailing list or prior relationships *(read: limited outreach)* or through digital marketing tactics *(read: passive promotion)*. While this may result in a better outcome than the first approach, it is still not the best possible option *(read: it potentially leaves money on the table)*.

3. Sell through a Picasso specialist – This involves utilizing a gallery that exclusively auctions Picassos or modern art works, reaching out to the same repeat buyers with whom they may already have a deep relationship *(read: conflict of interest)*. This approach means you may miss out on opportunities to promote your work to other art enthusiasts,

who may be willing to pay an additional premium to acquire their first Picasso. Besides the limited outreach capability and inherent conflict, these specialist sellers tend to lack out-of-the-box thinking, agility and the flexibility to build new connections the way a generalist can. Most use a one-size-fits-all approach, utilizing existing relationships with a few select buyers, which often results in sub-optimal outcomes.

4. Sell through a tailored auction house – These experts will review your work under a microscope, take the time to clean up and prepare your information, strategize best positioning angles, bring best practices from other sectors, create a curated list of well-qualified global buyers for outreach and promotion, artfully manage the negotiation frenzy, and run a disciplined, laser-focused bidding process – all of which will help yield the highest probability of close at a top market-clearing price with the fewest setbacks along the way.

Hence, choosing the best approach depends a great deal on a careful assessment of **1)** your personal priorities, **2)** your business conditions, and **3)** current market forces. However, assuming, you are not backed in a corner *(read: pressured on time)* and have two primary objectives (a) extract premium value for your business, and (b) ensure a smooth journey all the way to the bank – then Approach **#4** becomes the natural choice.

Schedule an initial conversation with Ashish to discuss extracting premium value for your company.

Schedule