Exit: Selling Your Business For Maximum Price

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Introduction

Have you considered selling your business? Virtually all business owners consider selling their company at some point. A sale is a normal occurrence. Owners take great risks in building their businesses and wanting to reap the fruits of their labor is natural.

Selling a Business Is a Life Impacting Decision

Deciding to sell the company in which you have labored and invested will be one of the most important business decisions you will make; the outcome of which will impact your life, financially and emotionally, and can possibly affect your descendants' lives.

Successfully Selling a Business Is a Systematic Process

Therefore, it is important to understand the process. Selling a business is not haphazard or random. Following a systematic process will greatly increase the odds of achieving your goals and decrease the odds of a failed sale. Knowing a few basics will help you determine whether you are ready to pursue a company sale and how to achieve the best deal. Also, professional assistance can be quite valuable in these matters and is highly recommended.

Booklet Written For Business Owners and Entrepreneurs

This booklet is written for the business owner and entrepreneur whose ultimate objective is to exit the business for maximum price. The booklet provides a brief education on selling your business. It raises questions you should ask of yourself and of your business. It helps you assess whether you and your company are prepared. It provides a roadmap so the process will not seem overwhelming or mysterious. It also gives direct advice on specific actions to take.

What's Inside?

This booklet is based on my experience as an investment banker working with entrepreneurs and owners who have successfully, and sometimes unsuccessfully, sold their business. The booklet is organized to answer the following questions:

- Why Sell My Business? Primary Reasons Why Business Owners Sell
- When is the Best Time to Sell My Business? Knowing When to Sell
- How Much is My Business Worth? Only the Market Knows - Valuation Methodologies and Estimates
- Who is the Best Buyer? Finding the Buyer that Meets Your Goals
- Is the Business Ready to Sell? Getting Prepared Before Commencing a Company Sale
- How Does My Business Rate? The Wilcox Group 10 Point Business Scorecard
- How Do I Sell My Business? Ensuring Maximum Price and a Successful Transaction

The stakes are high, but the outcome can be very rewarding. Going about a company sale correctly will pay dividends.

Why Sell My Business?

Primary Reasons Why Business Owners Sell

At some point every business owner confronts the prospect of selling the business. Selling a business is as much a personal decision as it is a financial decision and the decision making process can be quite emotional. A transaction advisor, such as an investment banker, can provide an unemotional, objective perspective, which can be quite beneficial. In the end a successful sale can be quite liberating. There are many reasons for selling a business.

Liquidity and Diversification of Wealth

Often the majority of an owner's wealth is tied up in the business, which is an illiquid investment. Underlying this wealth are the constant inherent risks associated with business performance, which can change and dramatically affect the owner's financial position.

Through a sale you can realize the company's value, obtain liquidity, rationally allocate proceeds among a diversified set of holdings and eliminate all ongoing business risk. Best of all, you will have money to spend as desired and can obtain peace of mind and security with a more balanced portfolio.

Retirement

After spending so much time and investing so many resources to build a successful company, many owners want to enjoy the fruits of their labor, pursue other passions or spend more time with family.

A sale allows you to leave the business on your own terms and deliberately move to the next stage of your life.

Need For Expansion

Capital and Other Operational Resources

To support continued growth, businesses need to reinvest in themselves, and sometimes, this investment can be significant in terms of dollars, managerial talent and operational resources. Often, external capital is limited, which results in the owners supporting the growth from their own pocketbooks.

A sale to a well financed buyer can provide the funds to finance continued growth as well as additional necessary resources. Further, there is no more enticing place for larger companies and financial groups to invest than in a smaller company with great growth potential.

Succession Planning

Handing the reins to a successor is often quite difficult after having spent a number of years building the business as well as having most of one's net worth tied up in it. Additionally, many times family members show no real interest in continuing with the business after having seen the sacrifices required. Studies by the Small Business Administration and The Wharton School at the University of Pennsylvania have shown that less than 30% of businesses end up in the hands of the second generation and less than 10% make it to the third generation.

A sale is a very effective method for dealing with succession issues and it provides for the continuity of the business benefiting its employees, customers, suppliers and other stakeholders.

Strategic Move

Various industry dynamics, such as consolidation among suppliers, customer or competitors, may result in uncertainty and increased competition. Without making substantial changes the business could become at risk.

A sale provides you the opportunity to place the company in the hands of a buyer that is better positioned strategically and financially and allows you to step out of the situation intact.

Differing Goals Among Owners

In companies with multiple owners, differing goals and visions sometimes develop, which can cause friction, conflict, or at a minimum, lack of clear direction and stalemate.

Often, a sale is a way to deliver a positive outcome that is palatable to all owners before the business suffers and loses significant value.

Desire to Reduce Fatigue Or Address Health Concerns

Over time as the business changes, fatigue can occur in which the owner becomes tired of the ongoing administrative headaches and business risks. Often, the owner's role has changed from performing the job he enjoys, such as sales or engineering, to administration. Further, during the course of building and operating a business, sadly some owners face various health issues that hinder their performance or that are exacerbated by the responsibilities and demands of operating their business.

A sale allows you to pass along your administrative headaches to a new buyer, reduce the stresses brought on by the business and can free you to refocus your effort on what you enjoy or on your personal health and welfare.

Estate and Tax Planning

Valuing a private business is a difficult proposition, especially after the death of the owner. Without proper estate planning, heirs may face a large tax bill without having the financial resources to pay it. Likewise, heirs may face other familial strains as they determine the best course of action with regard to the company's future and the inheritance.

By selling as part of the estate plan, you provide for your heirs and reduce the burdens and potential for family conflicts. Most importantly, you will have received a much higher value for the company as compared to a quick sale or liquidation after death.

When is the Best Time to Sell?

Knowing When to Sell the Business

Timing is one of the most important factors in achieving a successful sale. So how do you know when the "best" time to sell occurs? The best time to sell a business is when you have no need to do so, when the company has demonstrated solid performance and the future looks bright. You should also rely on your investment banker, who can provide insightful information regarding market trends and assist in judging the best time for you to sell based on your situation.

Sell When the Business Is Performing Well and Prospects are Bright

Buyers are attracted to a successful track record. Further, buyers are attracted to perceived future upside. You should not be overly concerned about leaving this future growth for the buyer as you will get compensated for it through the premium paid. Bottom line: Sell when things are going well and the future is promising.

Five Timing Factors to Consider

There are five primary factors to consider as you are thinking about timing a sale. Rarely do all these factors peak simultaneously, so judging them on a relative basis is important. However, timing a sale when the general momentum is in your favor improves your odds of achieving a high price. The five items to consider include:

- **Macroeconomic Conditions:** A stable or growing gross domestic product, relatively low inflation and low interest rates provide fundamental support to a healthy economy, confidence and deal making.

- **Industry Trends:** Positive underlying trends, such as a strong growth cycle, related to your company's industry often correlate with heightened levels of acquisition activity and high purchase prices.

- **Company Performance and Prospects:** The ability to credibly demonstrate a successful historical track record of earnings along with bright future prospects will generate the most interest from buyers. More interest from buyers often leads to competitive bidding, thereby providing the leverage to achieve the highest price.

- **Capital Flows:** When there is an abundance of capital from strategic buyers, financial investors and lenders competing for deals, the market becomes very liquid, sometimes frothy, which fuels transaction activity and high valuations.

- **Merger and Acquisition Activity:** An active merger and acquisition market is the manifestation of the interworking of these factors and signals that deals are being completed at compelling prices.

Other Points to Note

- Quality companies with unique competitive advantages, a strong market position within their niche, growth prospects and solid management are successfully sold in just about any market.

- Buyers generally pay based on trailing twelve months earnings and expected future earnings. So, if company performance has recently declined, you should not anticipate buyers paying based on some level of past average earnings achieved. Sell before this happens.

- The typical company sale is a complex and lengthy process, taking six to nine months, or longer. You should sell your business only when you are personally committed to the process, both mentally and emotionally. Given the number of deals buyers review and their limited transactional resources, they will not waste their time with uncommitted sellers. Aligning good business performance and personal commitment puts you in a position of strength, which provides the greatest opportunity for successfully achieving your goals.

How Much is My Business Worth?

Only the Market Knows - Valuation Methods and Estimates

For public companies, an active trading market determines a company's value. However, for private companies, there is no liquid auction market to daily attribute value to the company. For private companies, a market must be created in order to determine value.

Creating a Competitive Market Is the Only Way to Determine the Actual Maximum Value

In order to obtain the actual maximum value for your company, you must run a transaction process that generates interest among buyers and creates a competitive market. Correctly orchestrating a transaction process and creating a competitive market is one of the most important functions your investment banker provides.

A well constructed market is composed of multiple qualified buyers. Just as with art, beauty is in the eye of the beholder when determining a company's value – the buyer's eye. Different buyers will have varying motivations about why they would like to buy your company and how much they are willing to pay.

No valuation study or analysis can give you the actual market value of your company. Until you build a market and see buyers' opinions of value firsthand, any preliminary valuation is simply an estimate.

Estimating Business Value Before a Sale

However, before commencing the sale of your company, one of the key factors you will want to determine is an estimated price range a buyer could pay for your business. It is important to go through the exercise of estimating the value of your company so you can have an idea of the prices you can expect and the underlying rationale for those prices. An investment banker or valuation specialist can assist you in this exercise.

Before committing to undertake the process of selling a business, you need to be realistic about price. Otherwise, if your price expectations are out of line with the market, the process will be for naught and a significant waste of resources and time.

Businesses Are Valued On Earnings – Past and Future Expectations

Simply, businesses are valued and sold based on their ability to generate earnings. It is paramount for you to credibly demonstrate and clearly communicate both historical and future earnings of the company. Since most valuation methodologies are based on evaluating earning potential, much time and preparation should be spent in this endeavor.

Valuation Methods and Tools

There are a number of important tools and methods to help determine estimated value. By using these methods, you can derive a range of estimated values, which should approximate the actual value achieved through a company sale. Further, buyers will use the same methodologies, so it important to understand what goes into each. The following provides a brief description of the primary methodologies.

Earnings Based Approaches

Ultimately, buyers are concerned about future earnings. There are many methodologies, short-cuts and rules of thumb to determine value based on future earnings. The three primary methods are discounted cash flow, leveraged buyout and capitalization of earnings analyses.

- **Discounted Cash Flow (DCF) Analysis.** This method projects the expected earnings capacity and economic benefits of your business into the future, as viewed by the buyer, and uses a discount rate to derive a net present value today.

- **Leveraged Buyout Analysis.** This is akin to the discounted cash flow method and is used by private equity groups. By assuming a certain capital structure (debt and equity), projected earnings and rate of return hurdle, they calculate an implied value.

- **Capitalization of Earnings.** These methods include a myriad of valuation ratios: price to earnings, earnings before interest, taxes, depreciation and amortization (EBITDA) to enterprise value, price to cash flow, price to book value and the list goes on. Basically, these methods apply some factor to an earnings level to derive a valuation.

Market Based Approaches

The market provides an accurate predictor for price. You can obtain a sense of valuations by reviewing trading and transaction activity for both public and private companies. Note the valuation benchmarks use the earnings capitalization methods discussed previously.

- **Comparable Publicly Traded Company Analysis.** This method applies current market valuation metrics and ratios of publicly traded companies to a private company in order to imply the value. The public companies used in the analysis must be comparable in nature among themselves and to the seller's business. Since the comparable public companies tend to be larger than the seller's business and their securities are freely tradable in an open market, a discount generally ranging from 20% to 50% must be applied depending on the characteristics of the seller's business.

- **Precedent Merger and Acquisition (M&A) Transaction Analysis.** This method takes a sample set of previously completed M&A transactions for companies that are similar in nature to the seller's business. This sample set provides valuation benchmarks that can be applied to the seller's company to derive a value.

Concluding Thoughts On Company Valuation

Estimating company valuation is more art than science. As a seller, it is important to establish your price expectations prior to embarking on a company sale.

Additionally, a buyer's purchase price is based as much on perception as fact. It is important to clearly present to the buyer credible historical financial information as well as demonstrate compelling future earnings potential for your company.

Who is the Best Buyer?

Finding the Buyer that Meets Your Goals

Determining the best buyer makes sense only in context with your goals. Some owners may want to exit completely as soon as possible. Others, who are active in the operations, may prefer to find a buyer with whom he can continue his involvement, having achieved meaningful liquidity from the business through a partial sale. Some owners may be looking for both a substantial liquidity event as well as an ongoing financial or strategic partner for pursuing growth opportunities, such as an acquisition or other strategic initiatives. Other owners are concerned about leaving a legacy for the employees and other stakeholders. Of course, underlying these goals is the achievement of a satisfactory purchase price.

Clarifying your goals in advance helps to determine the best buyer. Your investment banker can help you clarify your objectives, assist in extensively researching and qualifying potential buyers and provide advice about the "best" buyer based on your situation.

A Suitor Is Not Necessarily a Buyer

Regardless of the type or specific characteristics of potential buyers, they must be qualified, demonstrating their ability to pay and a track record of successfully closing transactions. A suitor is not a buyer without those two factors substantiated. Simplistically, there are three types of buyers.

Strategic or Corporate Buyer

A corporate buyer may highly value your business due to some strategic reason, such as market position, technology or customer base, and its ability to exploit various synergies to create shareholder value. Selling to a strategic buyer can offer your company a number of resources to which you may not have previously had access and can help it pursue its growth plans. Further, selling to a strategic buyer provides immediate liquidity to you as well as frees you from the ongoing business risks.

The best strategic buyers are those that are not directly competing with your company currently, but are searching for a way to obtain a strong market position within your niche. They may be domestically focused or international players. They may be in an adjacent niche and are trying to determine whether to spend the time and resources to create your next competitor or whether to buy a platform company, such as your company, within your niche – buy versus build analysis. Companies acquired as industry platforms generally realize premium purchase prices. Additionally, strategic buyers can often justify paying premium prices due to the various synergy opportunities they expect to garner.

Private Equity Group/ Financial Investor

A private equity group aggregates capital from institutional investors, such as pensions and endowments, with a mandate to maximize returns by investing in privately negotiated transactions. They are not operators themselves, but their strategy is to make investments in companies in which they can partner with quality management teams and assist in growing the business. Private equity groups generally purchase a majority or control position in the company and the existing owner often maintains meaningful minority ownership. Due to the structure of these private equity partnerships, they often invest with a three to five year horizon until they sell the company. During this period, they are singularly focused on creating maximum value and all the owners, including the owners who reinvested at the time of the initial sale, participate in this return.

A sale to a private equity group offers you immediate liquidity for a portion of your ownership as well as provides the opportunity for a future return based on the company's performance and the amount of equity you leave in the business at the time of the transaction. With this structure you can remain actively involved in the business, but have a partner to lean on as the company pursues its strategies. Some owners view this type of transaction as a transition stage before completely exiting the business.

Conversely, in the case of a management buyout, if your management team is interested in pursuing the purchase of your company, a private equity group can provide the capital to support this acquisition. In effect, the private equity group partners with your management team and the buyout allows you to exit.

Competitor

When identifying potential buyers for a business, many owners believe the logical ones are their direct competition. Generally, this is wrong. Competitors believe they can grow and expand market share at a much lower cost than the purchase price of your business. Plus, they understand the operational and industry dynamics inherent in a similar business and they can be quite skeptical of your prospects. Often, when a competitor makes an offer to purchase, it is on the low end of the range of offers received.

You must be very careful when approaching a competitor to buy your company. Doing so puts you at a high risk of divulging confidential information that the competitor could use against you later, especially if the deal falls through. A "tire-kicker" competitor is very dangerous. To the extent you decide to approach a direct competitor during a sale process, it should occur only after you have received genuine interest from other legitimate parties.

Is the Business Ready to Sell?

Getting Prepared Before Commencing a Sale Process

Just like when you embark on offering a new product or service, you prepare the plan and muster the resources required for success. Similarly, a key element in obtaining a high purchase price and reaching your transaction goals is preparation. There are a number of preparatory actions you can take that can significantly and positively affect the outcome of a sale transaction.

Put Yourself In the Buyer's Shoes

As you prepare, put yourself in the buyer's shoes. Remember that anything you can do now that will elevate a buyer's impression of the business will benefit you. Attracting buyers and closing a transaction is difficult, so upfront preparation is crucial for making the company as inviting and understandable as possible as well as reducing transaction risks.

Perform a Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

A SWOT analysis is a helpful self assessment tool, identifying and evaluating the company's strengths and capabilities, its competitive market position and its future potential. By working through each of these factors, the seller can be much more deliberate about how to best position his company. Also, this assessment exercise helps a seller refine and clearly articulate these items to a buyer. Additionally, the buyer will often use a similar analysis.

Build a Capable Management Team

A company with an experienced management team is worth much more than a business that is reliant upon the owner. One of the most valuable areas on which to focus is building a tier of management that can sustain the business and can survive your absence. Buyers generally want the owner to remain for at least some transitional period, but they also want to know there is competent talent that can assume control.

Obtain an Audit

An audit prepared by an objective, third party accounting firm provides a high level of credibility to your company's historical financial performance. An audit provides a level of confidence to the buyer and reduces the buyer's fear that what he is buying may be a fiction. An audit provides a seal of approval to the buyer that you manage your company with sophistication and have the appropriate level of financial and accounting policies and procedures in place. Also, given disclosure and compliance requirements, such as

Sarbanes-Oxley, for publicly traded companies, an audit is sometimes required before a public company will make any purchase. Although, an audit costs, think of it as an investment that will pay off by providing credibility, reducing time related to buyer due diligence, providing a credible financial basis for valuation.

Favorably Recast Financials

Since so much of the ultimate purchase price is based on historical and future financial performance, it is crucial to credibly, clearly and understandably present the company's financial situation to the buyer as positively as possible.

Most owners operate their business to minimize taxes, rather than maximizing earnings, and run a number of expenses through the company for their own personal benefit. Therefore, recasting the financial information making various adjustments and add-backs will aid in showing the company's true earnings generating power.

Note that if a company is purchased for a multiple of six times its operating earnings, any additional dollar you can demonstrate relates to six times that dollar in purchase price.

Properly documenting the company's finances, including any adjusted numbers, is important. The buyer will not purchase something that the seller cannot document.

Clean the House

Just like preparing to sell a house, there are a number of housekeeping items that should be cleaned up prior to marketing the company for sale. Note that a buyer will send in his due diligence team to review these items. Better for you to deal with them proactively and get your business in order now instead of having to deal with them during a transaction. Below is a brief list of the ones that occur most often:

- Accounts Receivable – Write-off stale receivables that have little probability of collection.
- Inventory – Write-off or mark down old, slow moving or obsolescent inventory.
- Personal assets – Remove personal assets not germane to the business from the balance sheet.
- Capital Equipment – Ensure that equipment has been well maintained and maintenance records are in order.
- Facility – Clean the physical plant, repaint, organize the yard, make any significant repairs.
- Environmental, Employee, Tax and Legal Matters – Ensure records are properly documented and resolve any material outstanding issues.

Hire Your Team Of Experienced Advisors

Buyers are experienced and sophisticated, typically having purchased multiple companies. As an owner, you have been focused on operating and growing your company, not buying or selling businesses. Therefore, assembling a team of experienced transaction advisors that can be on your side is important. Typically, these advisors include an investment banker, corporate securities transactional attorney, accountant, tax advisor and a wealth manager.

Selling a business is complex. You would not perform surgery on yourself or represent yourself in court. Why risk jeopardizing something as important as selling your business? Assuming your team has a good track record, the value these advisors contribute will be far greater than any fees paid.

How Does My Business Rate?

The Wilcox Group 10 Point Business Scorecard

When preparing for a company sale, an important step is assessing areas of strength and areas for improvement. The Wilcox Group 10 Point Business Scorecard below will help you rate your business on a scale of 1 to 5, with 5 being exceptional. Note that below each point is a set of general questions to help you evaluate the company rating. Very few companies rate a 5 in all categories. However, the closer you can move your company to a score of 5 will stack the deck in your favor, resulting in a larger set of genuinely interested buyers and a higher purchase price.

1. Market Share Within Niche and Competitive Advantages

1 2 3 4 5

Is the company focused on a definable niche(s)? Does the company have a leading market share? Is the company's reputation favorable? Does the company have specific competitive advantages relative to competition (brand, technology, know-how, low cost structure, etc.)?

2. Management Team Strength

1 2 3 4 5

How capable is the management team? Does the company have a solid second tier of management? Could the management team successfully operate the business if the owner departed? Is there a successor identified?

3. Future Business Prospects

1 2 3 4 5

Are growth opportunities clearly identified, realistic and achievable? Would growth prospects and growth rate be compelling relative to the company's industry? What level of capital and labor investment is required to successfully pursue the growth opportunities?

4. Customer Quality

Are customers considered high quality within the company's sector? Is the customer base diversified among a number of customers without undue concentration? What is the duration of customer relationships? Are there repeat customers or contracts in place? Are customers financially healthy and do they pay timely?

5. Asset Quality

Has the company adequately invested in and routinely maintained facilities and asset base? What is the age of asset base? Does the asset base provide any technological or production advantages relative to competition? How much capital is required to maintain the asset base?

6. Employee Base

Is the employee base well qualified? How much turnover occurs relative to the industry? What is the tenure of employees? Are employee compensation and benefits competitive? What is the relative ease of attracting new employees?

7. Supplier Quality

What is the quality of the relationship with primary suppliers? Are there other supply alternatives if required to pursue those? Are there satisfactory supply agreements or contracts in place?

8. Financial Performance – Income Statement

Is the company generating solid revenue growth, controlling costs and delivering appealing margins? Is there continued visibility of revenue and earnings into the future? How does return on capital, assets and equity compare to industry participants?

9. Financial Performance – Balance Sheet

What is the quality of the balance sheet, especially working capital accounts (accounts receivable, inventory, prepaid accounts, accounts payable and other accrued payables)? Are there items that should be written down, written off or cleaned up?

10. Specific Risks or Areas for Concern

Are there any material legal, tax, employee or environmental risks outstanding? Can they be resolved? What is the probability of a detrimental outcome and can it be quantified financially? Is all the related and necessary documentation complete and accessible?

Scoring Guidelines

The Wilcox Group10 Point Business Scorecard is necessarily qualitative and all points may not be applicable to your company. However, the scoring below offers a guideline and can be adjusted according to your company's situation.

Score	Description
40-50	You are in a favorable position and should feel confident in proceeding with a company sale.
30-39	There are a few items that could be improved prior to a sale, but with some effort, you will be ready to proceed.
Below 30	Focus on making the necessary improvements before proceeding with a company sale.

How Do I Sell My Business?

Ensuring Maximum Price and a Successful Transaction

There are two elements of a successful transaction: obtaining the maximum purchase price and finding the right buyer that meets your goals. Achieving these two elements requires aggressively implementing a well planned, systematic marketing approach targeting multiple qualified buyers to build a competitive market. Your investment banker should be highly skilled in these matters, thereby generating substantial value.

Why Is Creating a Competitive Market So Important?

- Creating a competitive market puts pressure on potential buyers to offer their best deal. The seller maintains the leverage pitting buyers against one another in order to achieve a desirable outcome. Less aggressive buyers tend to fall away and the process whittles the list of potential candidates down to the serious buyers.

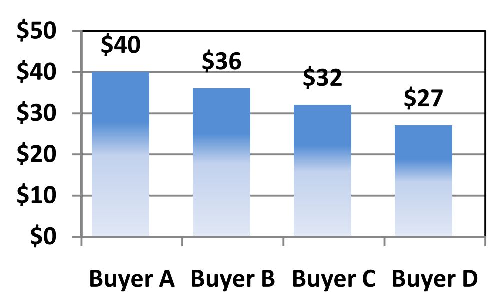
- Building a competitive market allows the seller to simultaneously evaluate multiple bids, deal structures and potential buyers, putting him in a position of strength to decide which opportunity is best to pursue.

- Building a competitive market allows the seller to view a broad range of possible offers. In a competitive bid situation, it is common for the differential from low to high bid to be more than 50%. Imagine how much money a seller could lose if he pursues only the low bidder in a non-competitive, direct negotiation? It is significant. How would the seller know if he is getting the highest price without running a transaction process that builds a competitive market?

- Further, rarely do non-competitive, direct negotiations, especially ones based on unsolicited offers, result in the highest prices. The buyer knows it is the only party at the table and feels no pressure in putting forth its best offer.

Example of Bid Range

Here is an example showing the possible range of values received from four potential buyers. Although not from an actual deal, it is a representation based on a number of actual deals which resulted in a similar disparity among values. *(Dollars in millions).*



The differential between the high bid and low bid is almost 50%. What if you had **NOT** created a competitive market, and instead, engaged in a one-off negotiation with Buyer D only? If you close the deal, you have given up a lot of money. However, you would never know it.

How Does a Seller Create a Competitive Market?

In a nutshell, you need to recognize that taking a proactive approach pays large dividends. A sale process is complex, takes significant effort and time (six to nine months or longer) to complete. Because the outcome is so important, you need to stack the deck in your favor as much as possible to ensure the highest probability of success. The following briefly discusses the important elements in a company sale.

Elements of a Successful Company Sale

Prepare and Commit. Preparation of the company as discussed previously and committing to the task of selling the business is key. Deals are complex. Few buyers will pursue a company which they perceive as having multiple difficult issues to fix, is not prepared or who is not committed to closing a deal. Buyers review a number of deals and do not want to waste time or resources pursuing a dead end.

Favorably Position the Company. Developing well prepared, professional and compelling marketing materials will properly position your company, accentuate the investment opportunity and demonstrate that you and the company are committed to selling. These materials should catch the attention of potential buyers.

Identify Qualified Prospective Buyers. Researching, identifying and screening a broad group allows you to target the most qualified buyers or investors and increases the odds of generating genuine interest among multiple bidders.

Create a Controlled, Competitive Market. Aggressively approaching potential buyers while maintaining control of the process, allows you to create competitive pressure. The dynamics of a competitive market put you in a position to evaluate multiple offers and select the most attractive one to pursue.

Sell. Just like selling a product or service, the buyer needs to be excited about the business and its prospects. Developing rapport with the buyer to understand his rationale for pursuing the company, what attributes he values and what concerns he has, is important to knowing how to sell the deal.

Continue to Run The Business For the Long Term As If No Sale Is Imminent.

Remaining focused on running the company at a high level of performance allows the potential buyer to see the success during the transaction process. This performance builds confidence in the buyer and strengthens his already positive perception of the opportunity. During a transaction process, nothing hampers the outcome more than declining operating or financial performance.

Specific Comments On Investment Bankers

Due to the importance of a company sale and the complexities that arise during a transaction, it is advisable to hire an experienced investment banker as your advisor and advocate. A skilled investment banker can assist in many ways:

- Help clarify your goals and evaluate your strategic alternatives.
- Use various valuation techniques to provide guidance on the anticipated purchase price and the underlying rationale.
- Assist in positioning the company in a positive manner, including recasting the historical financial statements and building clear and credible financial projections.
- Prepare professional marketing materials that catch buyers' attention.
- Extensively research and screen for the most desirable, qualified buyers.
- Aggressively market your business to qualified buyers to generate a high level of interest and to create a highly competitive market.
- Manage the flow of information and discussions between you and potential buyers.
- Maintain control of the process to reduce the risk of rumors and breaches of confidentiality.
- Act as a buffer between you and potential buyers to minimize emotions that could be detrimental.
- Navigate through the negotiating process; work to resolve the complex financial, legal, structural and tax issues that arise.
- Coordinate other professionals and members from your company that are involved in the process; act as a quarterback.
- Provide steady, consistent endurance; maintaining positive deal momentum. Extending the duration of the process and losing momentum kills deals.
- Provide helpful, objective advice based on experience and act as a sounding board throughout the process.

Make sure your investment banker is a specialist in selling companies - that it is core to his business. He should encourage you to check his references; and you should do so. His compensation should have strong incentives and be contingent upon achieving success for you. Last, he should be completely focused on your transaction; actively coordinating the entire effort in order to optimize management's time and allow management to concentrate on operating and growing the business.

Wilcox Swartzwelder & Co.

Investment Banking Experts for the Energy, Industrial and Infrastructure Sector

Wilcox Swartzwelder & Co. is a boutique investment bank providing sophisticated financial advice exclusively to middle market companies in the energy, industrial and infrastructure sector. Advisory services include mergers and acquisitions, company sales, divestitures, institutional capital raises and general corporate finance matters. Through its merchant funding activities, the Firm acts as direct investor providing flexible capital to support small, entrepreneurial companies.

Principals founded Wilcox Swartzwelder & Co. based on a simple philosophy: To be truly effective and valuable to clients, must provide in-depth industry knowledge, transaction experience based on a successful track-record, a willingness to work hard and a genuine desire to provide a high level of financial advice and customer service. Based on this philosophy, principals provide a consultative approach, customizing each transaction to clients' objectives and market realities.

The principals offer unique expertise not found in many investment banks. Not only do they have more than 40 years of combined investment banking experience, closing almost 100 transactions with an aggregate value in excess of $3.6 billion, but also, they have acted as investors with capital at risk, operators and board members in multiple companies, having navigated through various business cycles and completed transactions in both up and down markets.

The Firm is fully licensed and registered. Securities are offered through PetroGrowth Energy Advisors, LLC, a registered broker-dealer and member of FINRA/SIPC.

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