



WILCOX | SWARTZWELDER & CO.
INVESTMENT BANKERS

The Wilcox Group + PetroGrowth Advisors

How Do I Successfully Sell My Business and Achieve Maximum Price?

There are two elements to a successful transaction: (1) obtaining the maximum purchase price and (2) 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.

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

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.

Your investment banker should be highly skilled in these matters, thereby generating substantial value.

buyers, putting him in a position of strength to decide which opportunity is best to pursue.

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

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



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A boutique investment bank delivering high quality financial advice exclusively to owners of middle market companies in the energy and industrial sector.

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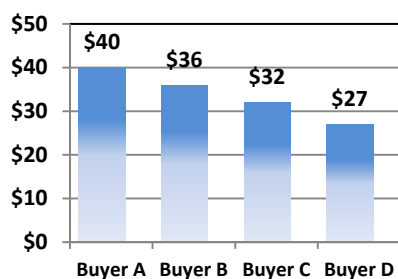
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in a non-competitive, direct negotiation? It is significant. How would the seller know if he is getting the highest price without running a transaction process that builds a competitive market?

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. (Note \$ 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.