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**MBBI Chicago Event
Real Estate Strategies**
November 7, 2017 | 5:00 to 7:00 PM
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23010 York Road
Oak Brook IL 60523

**MBBI Wisconsin Event
7th Private Equity Connection**
December 6, 2017 12:00 to 5:00 PM
Potawatomi Hotel & Casino,
1611 West Canal Street
Milwaukee, WI

**MBBI Chicago Event
Annual Conference**
January 23, 2018 | 9:30 to 6:00 PM
The Drake Hotel
23010 York Road
Oak Brook IL 60523



MBBI Newsletter November 2017 How to Prepare Your Company For a Smooth Sale

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Contributing Editor: Tom Kastner is the President of GP Ventures, an M&A advisory services firm focused on the tech and electronics industries. Securities transactions are conducted through StillPoint Capital LLC, Tampa, Florida, member FINRA and SIPC.



We all like to work with companies that make it easy and enjoyable to do business with. Whether we are buying an iced coffee or a car, we like to have a quick, easy, hassle-free experience. As business owners, we try to keep our customers happy, and we like to buy from suppliers who are professional, consistent, and easy to work with. We often only think of our best suppliers when they are generous with the baseball and football tickets. If there is a problem, they take care of it quickly. In the M&A world, there are companies that make it easy (or at least easier) and those that make it difficult. By making the process easier, sellers should see better valuations and terms, and have a smoother deal process.

Preparation
The best way to ensure a smooth process is to be prepared. Work with your internal and external team to get the company ready for a sale. Financials should be in order (audited or reviewed by a CPA), and the company's reporting system should be ready to answer questions quickly and accurately. Legal documents should be in order, and all major contracts reviewed. A pre-sale due diligence check should be performed to determine what steps should be taken before going to market. Major issues, such as customer concentration and key person risk, take years to resolve, so it is best to start early.

Realistic Expectations
Owners should have a solid understanding of how the process works, and realistic expectations for valuation, terms, and conditions. If the owner needs more than the projected value to retire, it is better to work on improving the business's value rather than going to market with unrealistic expectations. Also, be prepared to answer a lot of questions, and possibly for some ups and downs during the process. Talk with your financial advisor about market multiples and terms.

Goals
It is important for the owner to understand their goals for the sale of the business, as well as for post-retirement. If the owner wishes to donate to charity or set up trusts for relatives, it is important to set up those early. A clearly set plan for retirement not only helps the owner know if the sale proceeds will be sufficient, but will also help prepare for taxes. A post-retirement plan, such as travel or volunteer work, will help the owner look forward to completing the process.

KEYNOTE SPEAKERS

BRUCE WERNER

DENNIS KESSLER

JANUARY 2018

CONFERENCE & BANQUET

FAMILY BUSINESS TRANSACTIONS

BREAKING THE TIES THAT BIND THEM

THURSDAY, JANUARY 23, 2018
The Drake, 2301 York Rd,
Oak Brook, IL 60523

The Midwest Business Brokers and Intermediaries (MBBI) association offers educational meetings, conferences and events to assist members in achieving and maintaining the highest levels of professional standards and qualifications. MBBI is comprised of business brokers, M&A intermediaries, investment bankers, attorneys, accountants, bankers, SBA lenders, valuation service providers, individual buyers, private equity groups, wealth managers and corporate buyers who collaborate to create the most valuable experience for respective clients. The united effort of educated professionals insures the highest standards, ethics and efficiency when buying, funding, and selling small and medium-sized businesses.

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Advisors
A good team will help the owner prepare for the sale, as well as guide the company through the process. It is good to involve key management, as they can help with preparation. Also, most buyers will want to meet top management, so having them on board early will help. Key advisors include an M&A attorney, a CPA, an investment banker/business broker, a tax advisor, wealth manager, and an estate attorney.

Keeping a Steady Keel
Just like in business, during a sale process there will be ups and downs. It is especially difficult the first time through. The advisors have been through plenty of deals, but most owners only go through it once. Try to keep emotions out of it; it's just business.

Business Stability
One of the biggest deal killers is a sales or profits slump in the middle of a process. Buyers will likely lower the price, or at least move more of the value to deferred compensation. Keep your eye on the business during the sale process, and if there is any bad news, be sure to communicate it with the buyer as soon as possible. Keep up with CapEx, maintenance, and other regular expenses, as buyers get suspicious about window dressing prior to a sale.

Know the Buyer
It is important to do buyer due diligence, not only on their experience and financial ability, but on their culture and personality. Some buyers like to negotiate endlessly, and others make one offer and that's it. Some buyers have a tolerance for negotiating, and/or flexibility depending on the sellers' needs. Work with your advisors to determine your tolerance level and style, and let the advisors help you determine the right strategy to take with the buyer. Often, one side can over-negotiate over terms that are not that important and kill a deal, or settle for an initial offer and leave money on the table.

Get on the Same Page
Once an owner has determined to go to market, it is important to get on the same page with all shareholders and stakeholders. Stakeholders can include partners, spouses, children, employees, key advisors, and others. Discuss goals and responsibilities early, as any late surprises can delay or derail a deal. You might think that everyone is on board with the expected value, terms, process, and timing, but you never know until you check.

Focus on the Goal
Although the process may take longer than expected, and there may be several twists and turns, it is important for the owner to keep focused on the goal of closing. A well-prepared business should have a smooth sale process, but there are only so many things that are under the owner's control. For example, some owners get caught up in speculating on the buyer's true intentions, or in keeping score. By focusing on the goal and not on the noise and obstacles, the owner can help guide the process through to closing.

Many business owners have business plans, sales goals, employee development, and other goals, but enter the sales process woefully unprepared. In the M&A business, an educated client is absolutely the best client, therefore, careful preparation is a key factor. While in no way would we recommend that an owner roll over and accept all buyers' requests, we do think that making a business 'easy' to acquire will help increase valuation, will lead to better terms and conditions, and will help ensure a smooth sale process.

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