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MBBI Wisconsin Event
How Much Cyber Risk are You Buying?
 October 25, 2018 | 4:00 to 6:30 PM
 The Back Beer Cellar at Titledown
 Green Bay, WI

MBBI Wisconsin Event
MBBI of Wisconsin 8th Annual Private Equity Connection
 December 4, 2018 | 11:30 AM - 5:00 PM
 Potawatomi Hotel and Casino
 Milwaukee, WI

MBBI Chicago Event
Holiday Networking and Social Event
 December 11, 2018 | 5:00 to 7:00 PM
 The Drake Hotel
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MBBI Newsletter October 2018
Boo! Scary Surprises Can Ruin Sale

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With more than 20 years in the M&A industry, Scott is a recognized leader in the field, providing exit strategies, sell- and buy-side transitions, along with valuation services in the lower middle market. Scott is the founder and past chair of the Wisconsin chapter of Midwest Business Brokers & Intermediaries (MBBI) association and also the past chair of the International Business Broker Association (IBBA), the largest association for business brokers and M&A professionals worldwide. In 2014, Scott became the youngest person ever awarded the IBBA prestigious fellow designation. Scott can be reached at 920.436.9890 sbushkie@cornerstone-business.com

There's a body of research out there on how surprises affect the brain. Apparently, a good surprise is better than something good you expected. The dopamine levels in your brain spike higher when you get a pleasant surprise versus something good you knew was coming. Surprises intensify our emotions, for better or worse. In the same way we get more delight over a positive surprise, we also feel greater anger and discontent when we're surprised by something negative.

It's a phenomenon I've experienced many times in my 20+ years of selling businesses. That's why the early part of a sale, when the buyer is energized and excited, is the best time to reveal weaknesses in your business. As I like to say, "Go ugly early." At this stage, buyers are more likely to shrug off flaws. They see your candor as a sign of credibility, and they have an easier time framing your current weakness as their future growth opportunity.

But when a buyer uncovers something negative during the due diligence process, their reaction is markedly different. They lose trust in the seller and suspicions heighten. They wonder, "What else don't we know about?"

I've seen individual buyers latch on to a sense of anger and betrayal after uncovering a skeleton in the seller's closet. Invariably, they walk away from the deal. With corporate buyers and private equity groups, emotions are more tempered, but we'll see a notable reduction in the purchase price.

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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As a seller, you have more leverage when you reveal issues early. At the initial consideration stage, buyers who have a real concern over a particular issue will self-select out of the process. Others will build your weakness into their overall valuation.

Those are both good things because it keeps control in your hands. You choose who to move forward with while you still have multiple buyers at the negotiating table.

So, when selling your business, it's critically important to avoid surprises. But that means more than being up front about known issues. It means uncovering weaknesses that you yourself were unaware of.

Increasingly, and particularly for sellers expecting an eight-figure check, we're recommending a pre-due diligence process. That means engaging outside professionals to get a quality of earnings report and a thorough inspection of your other business practices, such as HR, digital security, environmental, etc. You want to ensure your business adheres to all regulations and industry best practices.

We're working with a large client right now who will probably spend upwards of \$80,000 on pre-due diligence. I fully expect this preparation process will increase the value of their business by a couple of million dollars. Pre-due diligence is an investment to be sure. But when it comes to selling your business, surprises actually are much costlier.

"You only get one chance to sell your business. I take great pride in using my 20+ years of M&A experience to create positive life-changing events for the business owners I serve. My goal is to give each client the coveted gift of both time and money."

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