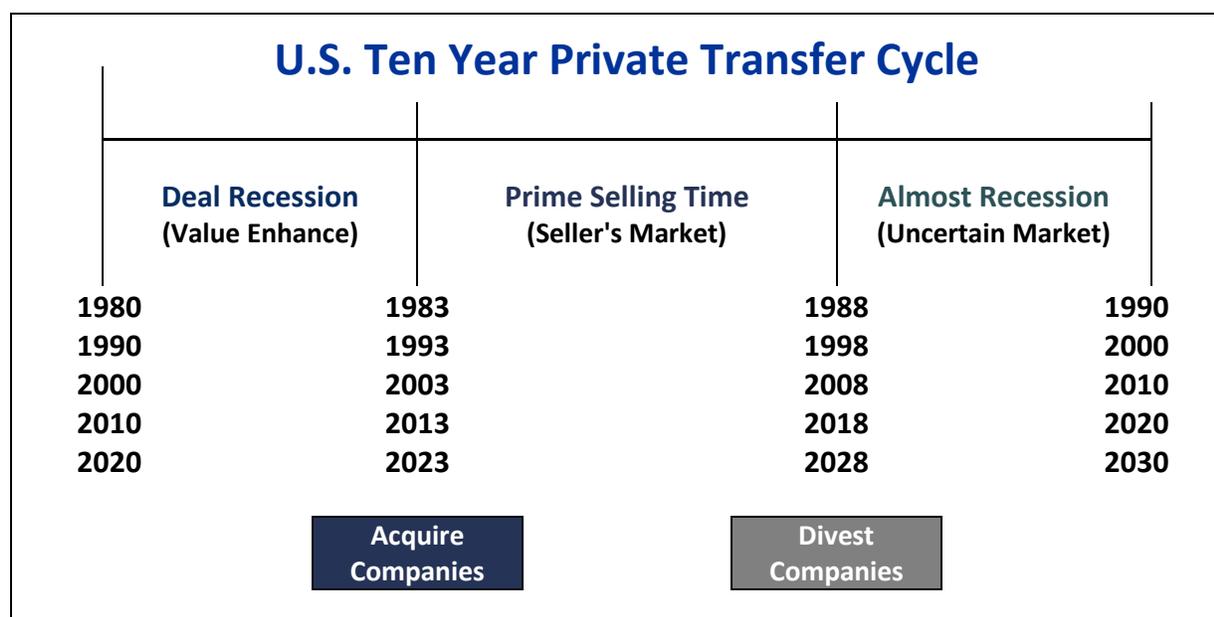




What makes the Best Buyer?

Part of my assignment with clients typically is to determine who will be the best buyer for the seller's business. Many times it depends on the timing and the market. In general, timing can be everything.

Market Timing- Most everything has a cycle and the merger and acquisition world is no different. According to Robert Slee, author of Private Capital Markets, there is a ten year cycle and by the end of 2018, we will be entering what he calls "Almost Recession" which is an uncertain market which will last until the end of 2020. In 2021 we will enter into "Deal Recession" which is a buyer's market. In 2023, we will enter into "Prime Selling Time" or a seller's market. Naturally, there is a little overlap with each season but he has shown this cycle to have been occurring since 1980.



Industry/Synergistic Buyers – Buyers that come from your industry or an industry that supplies you and you sell to might be the right buyer. These buyers can many times seem to be the logical buyer, but it depends. There are some industry buyers that have a pre-set formula for buying business and they will not vary from it and typically, these buyers are bottom feeders and will not bring the best value – but they will move quickly. Industry buyers that are looking for market share, be it in a market they are in or outside of their current market can be the best, particularly if the transaction is going to bring them to a critical mass position where they can truly have scales of economy and be the leader in the market.

Individual – Individuals or management teams that are looking to buy will naturally prefer a buyer's market, but most of the time these buyers cannot control when they are looking to buy and if it is a seller's market, they can purchase at a value that can be similar or rival many Industry/Synergistic Buyers. Many times individual buyers are leaving corporate America. Some individuals, typically a recent MBA graduate bring a group of investors with them and these buyers are called Search Funds.

Equity Groups/Family Funds

There are buyers that have raised capital to purchase what are called platform companies. These companies are large enough to stand on their own and have a professional management team. These buyers are looking mainly for companies that have \$1.5 million or more in EBITDA (Earnings Before Interest Depreciation Amortization) and sellers who wish to stay on, keep a little equity, and grow the company for five years or so. This is a typical scenario, but there are all types of buyouts and timing of ownership and management exit strategies that can be developed as each buyer group has their own criteria. Equity groups also look for add-ons for their current platforms. In this instance they become industry/synergistic buyer.

Grow your company so that you will find the largest pool of buyers. Remember that consistent growth in revenue with strong profit rules. Make sure your company has a niche in the market that makes it irresistible. For more help in positioning your company for sale, please call Capital Endeavors, Inc.

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