
TRANSACTION SERVICES

POTENTIAL BUYERS

Who's Going to Buy Your Business?

As you and your business mature, you may be starting to think about selling or transferring your business within the next few years. The big question is: who will buy it?

Options to Consider

There are a number of options that may be viable transition solutions, including the following:

- *Sale to family members*—There are some great companies with great stories about long-term family ownership. We also know many examples, however, where family ownership has been rife with problems and where company value has declined when the next generation has run the business poorly.
- *Sale to employees*—This is very appealing to some owners who want to take care of their people, and there are various strategies to structure these types of transactions, such as ESOPs. However, relatively few employee groups have the financial capacity to pay an owner what the business is worth.
- *Sale to outside party*—The majority of sales are actually to competitors, or other potential buyers.
- *Sale to a private equity firm*—Private equity groups (PEGs) are firms that raise funds, invest in companies and then exit, hopefully at a gain. Each group generally has certain types of industries and company sizes they like to invest in (i.e., EBITDA over \$2M). Their deals might start with an ownership interest of 70 percent for example, as they sometimes like to have the owner involved in continuing to grow the business and business value. This gives both the PEG and the owner an upside. Some PEGs are also interested in minority positions.

Next Steps

There are several steps to take if you are thinking about selling or transitioning your business now, or in the future. First, it is important to get a realistic expectation of what your business is worth now and how to increase

that value. In addition, it is helpful to truly understand what your options are. We also can arrange for you and your Eide Bailly service provider to talk with PEGs, investment bankers and brokers, so you better understand the options.

We encourage you to contact your Eide Bailly service provider, or a member of our transactions services team, to discuss how our Firm can help you make sound decisions with future business transitions. Even if a potential exit is years away, we will help you focus on key business issues, develop a planning process for the future exit and coordinate services with our wealth management team.

You may face a challenging and highly competitive market when the time comes to sell your business. By utilizing a team approach, we can help you increase your return on investment on your many years of hard work.

FOR MORE INFORMATION

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