

Maximize Your Company's Value ... Now

Practical Advice for Every Business Owner to Consider Before Selling

ROBERT JANSEN, MANAGING DIRECTOR, BRIDGEWOOD ADVISORS INC.

DOUG MARCONNET, MANAGING DIRECTOR, BRIDGEWOOD ADVISORS INC.

Business owners spend tremendous time and energy building valuable companies. Those companies often become an owner's largest asset and his or her path to retirement. Based on our decades of experience selling companies, we present the following practical advice to help business owners create additional value years before it's actually time to sell. The actionable theme throughout this article is clear – start now!



JANSEN



MARCONNET

1.

Create Your Exit Plan

Owners can build significant value through thoughtful and early preparation. Building a team of advisors, defining your personal goals, and discussing potential exit/succession strategies are essential. Succession can take many forms, including transition to the next generation, a management buyout, or sale to a third party. Within each of these paths, there are multiple approaches. For example, possible acquirers can include private equity, private companies, public companies, and even foreign buyers. Understanding how each option aligns with your underlying personal and financial goals will help you build a customized exit strategy and timeline.

Start Now: Prioritize meeting with your advisors to discuss your goals, exit strategy, and succession plan. Build your team of legal, tax, financial planning, and M&A experts before it's time to sell.

2.

Know Your Value Proposition

One fundamental value driver in any sale is the ability to articulate the company's sustainable competitive advantages and present them in a compelling way.

Business owners should understand the company's competitive position, barriers to entry, and how the business differentiates itself within the marketplace. Differentiators include proprietary products or technology, operational expertise, innovation, intellectual property, brand names, and channels of distribution, among many others.

Start Now: Create a list of your company's differentiators. Why do your customers select your products or services over those of the competition? Augment those strengths and you will create more value.

**Of business owners
surveyed who plan to exit
or sell in the next 3 years,**

68%

**have yet to develop a
formal succession plan**

*Source: recent business owner
survey completed by the VIP Forum*

3.

Build Your Track Record

A company's track record of sales growth and strong profits has a substantial impact on value. It's important to continue building that track record, especially leading up to the sale of your company. Proven financial performance and tangible opportunities for future growth will generate more interest in your business. Additionally, diversification of customers and vendors will further enhance value. Proactively work to diversify customer concentrations and address any supplier dependencies. This has the added benefit of reducing variability in your growth curve.

Start Now: Create a list of your company's top growth opportunities. Include opportunities you are actively pursuing along with those that an acquirer may choose to pursue. How can you best present those opportunities to potential acquirers in a tangible way?

4.

Invest in Your Management Team

Sophisticated acquirers place significant emphasis on company culture and talent. Building a strong management team and investing in talent will increase the population of potential acquirers and reduce the perceived risk of owner dependency. Empowering your management team to actively drive growth and continuous improvement will capture the interest of buyers.

Start Now: Identify key elements of your role that you can begin transitioning to your team. Assess your existing team, identify any gaps that need to be filled, and add necessary talent sooner rather than later.

5.

Prepare for Due Diligence

During the later stage of the sale process, the prospective acquirer will perform detailed due diligence. This will include reviewing corporate documents, financial statements, accounting practices, contracts, and employee records, among other key business items. Having such information available and well organized creates a smoother due diligence process, maintains deal momentum, and adds credibility to the underlying sophistication of the seller's business systems and infrastructure.

Start Now: Organize your company's corporate documents and other information that a buyer will review during its diligence. Ensure accounting practices are sound and put systems and discipline in place to maintain company records.

6.

Always Be Ready

The best opportunities may present themselves unexpectedly. As acquirers become more proactive in seeking out companies that meet their strategic objectives, an unsolicited premium offer may come at any time. The way you react to such an approach can have a significant impact on your ability to maximize value and options for your business. Business owners who are prepared to entertain such discussions are best positioned to drive value and capture unique opportunities.

Start Now: Think about how you would react to an unsolicited offer. If the timing is earlier than you planned, what valuation is required and what other personal factors should be considered?

Concluding Comments

Company value can be maximized through thoughtful preparation and early planning. This includes a disciplined focus on fundamental value drivers, such as sustainable competitive advantages, continued growth opportunities, customer diversification, and a strong management team. Through this proactive approach, business owners create value and maximize their potential options well before it's time to sell.

Robert Jansen and Doug Marconnet are managing directors at Bridgewood Advisors, a Milwaukee-based investment banking firm specializing in mergers and acquisitions. Calling on decades of experience, Bridgewood works closely with business owners to meet their goals through the sale of their business, achieving superior outcomes and premium valuations. Our experience spans diverse industries within manufacturing, service and distribution, with a focus on transactions up to \$200 million.