

DIY Has Its Place, But Not When It Comes to Selling Your Business

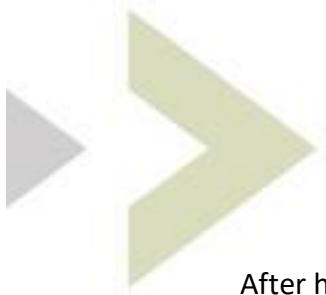
DIY, or Do It Yourself, is popular for many things: car repair, patios, home renovations - to name a few examples. However, selling your business should not be one of them. As an owner who decides to sell, the most important concern should be maximizing the operations of the business. In other words, the deal process shouldn't distract you from running your company. Regardless of the situation, when selling your business, you should always have a trusted advisor to quarterback the transaction. Selling your business is a long and emotional process, so choosing the right investment banker who will do the heavy lifting can make all the difference in the outcome.

To give further insight on this, we were fortunate enough to interview an executive who tried to run his own deal after receiving an unsolicited offer from a local competitor. This offer from the local competitor caused the executive to seriously consider selling the business. For this reason, he reached out to his own network-and started receiving calls with interest from other companies. After three months of running the process, he received six LOI's. Eventually, he whittled the offers down to one potential buyer leading the executive to pursue serious discussions. This buyer said all the right things until they were negotiating the purchase agreement. The lack of clarity in the previous discussions and the LOI regarding employment agreements led to a stalemate that, in the end, killed the deal.

Back to square one! With a hundred thousand dollars spent in legal fees and the enormous amount of time spent (away from the business) negotiating and cobbling together due diligence materials, the executive was exasperated. He realized that the process left him consistently stressed, both at work and at home. Trying to manage the buyers while still managing the business was a near-impossible task, stressful, and turned out to be a waste of time.

This time, instead of running the deal process under a DIY model, the executive engaged an investment banker. The banker informed the executive of the fee structure and, much to his surprise, there was a minimal cost for the upfront work. The investment banker took care of many of the pain points the executive experienced, such as the lack of transparency, managing due diligence, and vetting offers.





After his DIY experience, the executive gave two recommendations based upon what was learned through the process. First, before starting the deal process, make a priorities list of needs and wants as part of the transaction. For example, a *need* could be having an employment agreement allowing the executive to leave the acquiring company two years after the transaction. An example of a *want* is a corner office with a nice view in the company's building. Second, hire an investment banker since the fees are worth the value the banker adds when the deal closes. When choosing an investment banker, the executive recommended picking the person instead of the firm. Because you will be spending a lot of time with the investment banker during the deal process, choosing the right person will make all the difference.

Running a deal is emotional, complex and should be done with an experienced investment banker. When hiring a banker, start with your network to find one. If one is not available, take serious time and consideration choosing the right firm. At the end of the day, nobody will know your business better than you. When it comes to selling your company, nobody will know transactions better than your investment banker.

The moral of the story is that DIY is not an ideal way to sell your business. When you exit, you need someone who understands your goals, your years of hard work, and the difficulties of selling a business. As an investment bank for entrepreneurs, Strategic Exit Advisors understands that you still need to run your business and do not have time to waste. Plus, we help owners achieve their ultimate exit by focusing our process on strategic buyers willing to pay higher, strategic multiples. The first step to your ultimate exit is just a phone call away! Give Strategic Exit Advisors a call today – there is no need to Do It Yourself.

