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# Selling your business, Part 2:
## finding the right buyer, closing the deal

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**In Part 1 of this two-part series, we highlighted why the composites industry is attractive to certain investor groups and discussed the first step in FMG's four step process for owners and shareholders looking to sell their business: Effective positioning and presentation to those groups.**

Understanding your firm's fit with these targets is the key to achieving the right sale, and the right deal, for both parties. In this instalment, we will consider the final three steps in the process.

### Intelligent research

Develop a roadmap that lets a potential buyer know your company, your customers, your competitors and your geographic reach. Analyze where the business is today, where it could be in the future, and what financing will be needed to enable the transition. A technology/product development roadmap is a good tool here. If there is potential for the business to expand geographically, look at the regulatory environment for your product, geography-by-geography, and show its effect on your competitiveness and value proposition. You can create a detailed plan for the first three years, followed by a trajectory that shows where the business could be in five years. Identify key milestones that will drive the business over that time period and then relate your financial needs to these milestones.

This roadmap, alongside a very clear value proposition and supporting data, is key to communicating your business plan to potential buyers. Ideally, you also should be able to distil your three-to-five year plan into a couple of paragraphs. This is rarely done well, but an external advisor can add valuable insight here.

### Identify, select, and approach the right buyers

Researching the purchaser's financial and operational needs and goals, looking closely at your value proposition and examining your business from every angle, good and bad, all save time and money. As a player in the high-growth, technology-driven composites sector, your strong emerging market position is more valuable to a traditional trade buyer than to one of your high-tech competitors. Your over-stretched local manufacturing operations may mark down your price to a new market entrant but increase your value to a buyer with under-utilized overseas plants. Investors with strong finances and well-founded strategies will seek to leverage their expertise and assets to make improvements. Your high cost base may worry you, but it could be an easy-to-fix opportunity for a private equity investor that is adept at efficiencies.

With the composites market's worldwide attraction, advisors that can combine strong market insight and cross-border expertise will prove to be the most effective with a truly global buyer universe to select from. Finding the best buyer is, however, about more than plugging into an advisor's network. In FMG's experience, the best value for both parties is achieved by understanding that every business has a very different worth to each potential owner, based on the strategy each has adopted. Most trade buyers and, certainly, private equity firms, clearly articulate why they are buying and what criteria they use. It may take work to determine the price they place on each criterion, but that's a job for you and your advisors.

### Create and manage a competitive process
#### *Hired hands or DIY?*

With management time at a premium, taking your eye off the ball to run the transaction process can often result in nasty surprises that might not derail the deal but can result in significant late-stage price reductions and aggressive negotiations.

So, finding and hiring a dedicated external advisory to do the deal can be a sensible policy. But a large, experienced, advisory team can be cost-prohibitive for many SMEs. So what to do? For most SMEs, a good intermediary – a corporate finance or boutique investment bank – with an understanding of the sector complemented by an experienced legal advisor will be affordable and avoid compromise. You must ensure that the bank and/or advisor do not hand off the engagement to less experienced juniors once their senior teams have impressed you. Control costs from the start by setting a clear budget. A good rule of thumb is 10% of the likely deal quantum. Then set a realistic timeframe

Example Acquisition Schedule: Advisory and management teams must be aligned on a time scale and agree to a set of milestones, with stated times and purposes. An example schedule is shown here. (Note: DD = due diligence; SPA = share purchase agreement; VDR = virtual data room.)

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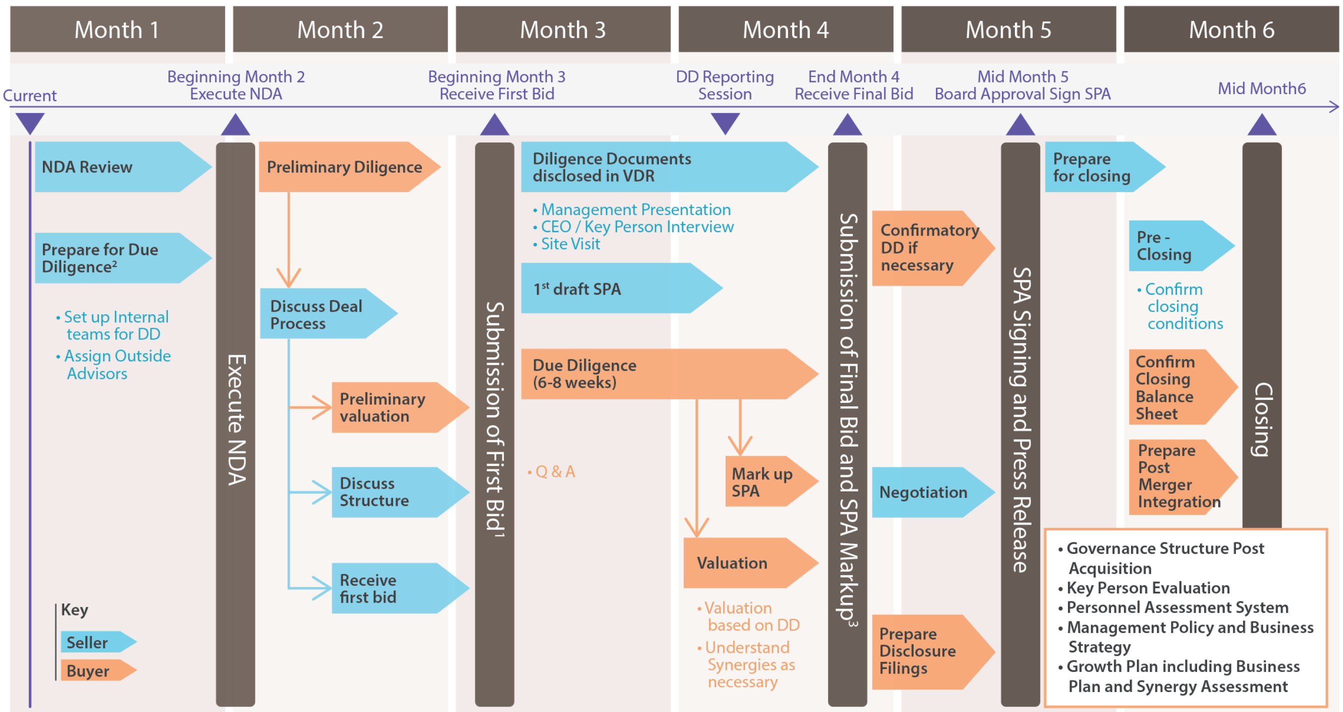


1: Non binding first bid, may include potential acquirer's overview (including financial wherewithal), strategic rationale for transaction, preliminary valuation range and internal approval process.
2: Business, accounting, and legal diligence of target by potential acquirer and its advisors after reaching basic agreement with seller and before signing SPA.
3: Final binding offer.

Acquisition schedule

– six to nine months keeps the work fresh and attractive. Your advisory and management teams must be aligned on the timescale and agree to a set of milestones.

## *Preparing for the process*

This will be the biggest single sale you have ever made, and often with only one final buyer in the frame. It must be done professionally: Accurately address the buyer's known needs, answer all questions however awkward, and overcome objections. Prepare marketing collateral, including management presentations and more. You will also need to set up a secure data room, a central repository of financial, operational and marketing information, updated regularly, for all due diligence communication. Senior management time must be maintained for planning, preparation, presentations, meetings, with the team available during due diligence to quickly and accurately answer all the questions. You must be keen and able to engage your new investors, supported by the team, with high-quality marketing, sales, operations and financial data.

## Final key points for your most important deal ever

Solid data and evidence give the potential buyer's team confidence that they are purchasing exactly what you are presenting. Agree upfront on the due-diligence timeframe, process and critical elements. Ensure that the day-to-day due diligence is well-managed while you and your advisors and legal team focus on the deal terms and conditions as well as the negotiations.

Trade buyers looking for strategic acquisitions or seeking to enter new and unfamiliar markets by buying your firm may have complex, cumbersome decision-making processes that might not suit your timescale or tie up your time. Consequently, coordinating these buyers in a drawn-out process is challenging, so aim for an efficient and quick solution. An auction, with an agreed date and duration for bids, has the merit of giving all parties confidence that a fair price has been obtained. If a single buyer emerges early with an offer that you believe is fair, meets your selling criteria and can close on time, then you could go with that on an exclusive basis.

A transparent, short and limited time period for receiving, evaluating, negotiating and accepting/rejecting offers benefits everyone. Costs are kept down, less serious buyers are filtered out, and opportunities for gaming the process are reduced.

Finally, this process will be emotional. You and your team might be asked to stay on and deliver to new earn-out targets or work with new management, possibly a previous competitor. The journey towards the successful sale of your business is complex and challenging. However, a well-structured and disciplined planning backed up by an experienced advisory is, in FMG's experience, the most effective strategy to achieving the optimum sales outcome. □

**More information:**
**http://.futurematerialsgroup.com**