

Characteristics of a Well-Prepared Buyer

Assuming that all business owners (except for those forced to liquidate) will eventually sell or transfer their companies, attention is often focused on how to be a well-prepared seller. Setting exit objectives, making the appropriate choice of business entity (C or S Corporation), building business value and selecting a skilled Team of Advisors are some of the most important items on the "Savvy Seller Checklist."

But what about the well-prepared buyer? What does one look like and why: as a seller, should you care?

First, once you put your company on the market, you must be able to recognize a "serious" buyer. No one likes to conduct an extensive courtship only to be stood up at the altar. Business owners are no different. They want a serious buyer — one who will be able to close the deal.

What, then, are the characteristics of a well-prepared buyer? First, owners should look for a buyer who has clearly defined objectives. Will your company be a stand alone acquisition or part of an industry consolidation? Will the buyer build and hold or flip your company? The serious buyer knows what he wants and is not just "looking for a new opportunity."

Second, well-prepared buyers have a team of advisors who are knowledgeable and experienced in the acquisition process. They are too smart to attempt to fly solo through the sale process. They know that if they try to handle the transaction themselves, the probability of closing greatly diminishes. Ultimately, do-it-yourself buyers can be a waste of your time.

Third, serious buyers know what kind of financing they can secure. They've already communicated with their lenders and are poised to move forward.

Fourth, the well-prepared buyer is not myopic. He knows that the only "good deal" is one in which everyone wins.

The serious buyer is mature. He or she knows that the road from the initial meeting to the closing table can be full of twists, turns, peaks and valleys. He or she has the stomach to endure the ride.

Once the deal process is underway, an owner can look for several other characteristics. The well-prepared buyer can move quickly to closing. His preparation, Team of Advisors and understanding of the process eliminate many of the obstacles novice buyers encounter.

Serious buyers understand their role in the deal process. They let their advisors negotiate the nitty-gritty deal points so that they can maintain a relationship with the seller as well as their credibility and professionalism at all times. They are well aware that today's seller may be tomorrow's key employee.

Now that you can spot a prepared buyer, don't be surprised if you have to become one. As you prepare your company for an eventual sale, you may need to acquire other businesses as means



to achieve "critical mass." In other words, owners frequently buy smaller (or similar-sized) businesses so that their companies are large enough to attract qualified cash buyers. Before owners become sellers, they may have to walk a few miles in a buyer's shoes.

This article is an excerpt from *The Exit Planning Review™* newsletter published by the Business Enterprise Institute, Inc. and provided by O'Hara & Company, PC

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