

ShopTalk FROM THE **NewEnglandNorth** GROUP

2008-2009 ▲ Commentary on Marketing, Mergers & Acquisitions

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DUE DILIGENCE

In These Times of Increased Mutual Scrutiny, Both Sellers and Buyers Must Perform a Fact & Reality Check On Themselves Before Moving Forward

Sellers. *Conduct Extensive Due Diligence On Your Own Business. Would You Buy It Today?*

Documented information. Your buyer will demand it; the buyer's lender will demand it even more. With serious suitors, this has always been a given, but never more than today after the across the board financial meltdowns of 2008.

If you're serious about achieving a successful sale of your business, you need to see that information first, as though you were the buyer.

What do you, as the buyer, expect to see at some point? At least three complete years of financial data in the form of in-house data, accountant's independent financial reports plus actual tax returns. Appropriate reports for activity in the most recent year through the most recent quarter.

Every discrepancy among these reports must be explainable and documented. Those owner perks that emerge onto seller's claim of discretionary income? Fine and understandable. Ask the seller to define them and document them. Trust, but verify.

As a buyer, you want to see monthly revenue flow for at least 24 months to (1) identify cash flow trends and (2) to insure deposits match the reports.

You'll want to see an employee list, including job description, current salary, benefits, and years of service. You'll want a customer list with historic and current revenue breakdown, longevity and future orders. You'll want all expenses properly categorized and documented, as well as all vendor contracts and agreements.

These, at a minimum, should be in a special private folder possessed by the seller before the business is offered for sale. Known facts at your fingertips will enable you and your intermediary the smoothest path to a successful transaction.

Buyers. *The Financial Facts On What You Have and What You Can Borrow Will Define Your Search*

You may appear to be the dream financial and professional package every seller seeks, but appearances will not fly in the world of 2009. The seller will demand it; your potential lenders will demand it even more.

If you haven't thoroughly vetted yourself as a potential business buyer, then you're engaging in wishful thinking, wasting a lot people's time and damaging your own credibility.

How can you possibly know what kind of business you can afford to acquire, either as an individual, or as one of a partnership?

Analyze yourself with the same hard questions sellers and lenders will unquestionably ask. The first task is establishing your own personal balance sheet. Document what you own, what you owe and determine how much you have available in liquid assets to invest in a business acquisition.

Certainly, you're not expected to layout your specific financial biography to an intermediary or a seller during preliminary stages of an acquisition search, but letters of confirmation as to your financial status from financial advisors and personal bankers will establish your credibility to be active in the marketplace at a certain level of valuation.

If seller financing is expected to be part of a transaction, availability of that personal balance sheet (with documentation) will be just as important to the seller as the seller's business financials are to the buyer.

An eventual exchange of this sensitive information should be perfectly understandable and of no concern if you've done your own due diligence properly.

That's because you know you're qualified to be looking for business investments at this marketplace level and will be ready to move swiftly towards the right opportunity.

THE NewEnglandNorth GROUP
MARKETING, MERGERS & ACQUISITIONS

Leading you In the right Direction.

Visit Us

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A consortium of independently owned and operated firms serving successful business buyers and sellers
York, Maine ■ Hollis, New Hampshire ■ Stowe, Vermont ■ Boston, Massachusetts

New Business Buyers Need Time and Money-Saving Guidance From Experienced Professionals

If you're a financially qualified first-time small business buyer making the change from the corporate world for any number of professional and/or personal reasons, education and information of the move into the entrepreneurial arena is a must.

The intermediaries who are The NewEnglandNorth Group have a combined century of business and entrepreneurial expertise ready to help smooth your path into the world of business ownership.

We're ready to assist in finding you the right opportunity anywhere in Maine, New Hampshire, Vermont or Massachusetts. Yet, before we start the process, we'll have a detailed conversation concerning your goals and the skills necessary to achieve them.

We'll certainly listen, but we'll also talk. We'll tell you how we see it from the life-time perspective as prudent independent New Englanders and we'll tell it in Dutch Uncle style. It's best to have the reality check before you embark on the search.

Having said that, owning your own business is a wonderful adventure, especially when you can relocate to where you wish to live and manage an enterprise that you've carefully researched to fit your professional, financial and family goals.

Being in charge of one's own destiny will be critical in the changing and unpredictable times that lie ahead.

Contact any intermediary of The NewEnglandNorth Group and learn how we can team with you to produce success.

Private Equity Group Partners Seeking Variety of Add-On Opportunities

The NewEnglandNorth Group works directly with some of America's most successful private equity groups.

A fit for consideration in a compatible platform portfolio might be a firm in the \$3 to \$15 million revenue level.

We welcome confidential inquiries from potential sellers to determine if you might be an appropriate acquisition candidate.

The NewEnglandNorth Group in a Nutshell

- *Small to Lower Middle Market (up to \$25 million revenue).*
- *Business Brokerage*
- *Business Searches*
- *Mergers and Acquisitions*
- *Regional Focus*
- *Multiple Locations*
- *Seasoned Professionals*

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