

ShopTalk FROM THE **NewEnglandNorth** GROUP

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IT'S NOT THE PRICE, IT'S THE TERMS

Business Evaluations are Much More of an Art Than a Science, Combining a Variety of Factors To Help a Prospective Seller Envision A Reasonable "Expectation Range" The Enterprise Might Attract.

As business intermediaries, members of the NewEnglandNorth Group make it a point of staying in touch with those we can help.

As a practical matter, all businesses are for sale, given the right price. A savvy purchaser is likely to respond by agreeing to the price with favorable terms.

Small and mid-sized privately held businesses are unique enterprises with customized operating characteristics and individual risk considerations.

When we engage prospective sellers in a valuation conversation, we prefer to use the term "expectation range" instead of stating, "your business is worth X."

Of equal importance is the question, what are the best terms of sale to achieve maximum benefit? Valuation and the terms that go with it are hand in hand.

"Cash at Closing" is music to a seller's ears, while "Holding Paper" is more likely to prompt gritted teeth and howls of protests from the seller's lawyer and accountant.

In a smaller privately held business, there still is likely to be some kind of seller financing at the end of the day beyond bank financing and seller equity investment.

Putting the bank notes aside, it's not a good idea to be holding paper, especially in a secondary position, for more cash than the buyer has invested in personal equity in the purchase.

The best way for a potential seller to assess the "expectation

range" is to ask, This will force the seller to see the enterprise from a—"With what I know right now, would I buy this business in this price expectation range?"—buyer's point of view. Since owners are aware of the actual earnings, you can determine if there's enough free cash available to pay debt service to all lenders.

If those levels are realistic the seller should then be able to discern the amount of cash generated from all sources at closing and determine tax implications before even deciding to enter the marketplace. At this juncture, the advice of professionals is critical.

If the seller owns and will be retaining the real estate associated with the business, there may be advantages to structuring a lower price and realizing the difference through a five-year lease that that recognizes a premium equal to the price difference on top of the fair rental value. It's attractive for the buyer since a rent payment is becomes tax deductible.

Terms might also include the amount of time the seller will remain to train the buyer, an above market employment contract for the seller to remain on board, negotiating the length of loans, negotiation of post-sale earn-outs, that give buyers a comfort level as well as adding upside potential for the seller down the road.

The key is to have both parties believe their interests are protected and both sides can pull the trigger to close the transac-

TRANSLATING TERMS TO YOUR BEST INTERESTS

It can't be repeated enough times. Business intermediaries are not financial advisors; financial advisors are not lawyers; lawyers are not business intermediaries.

And vice versa in all cases.

A responsible intermediary is going to stress to prospective sellers that their financial and legal advisors be aware of what's happening and that they be on call when necessary.

If a seller has a realistic "expectation range" in mind, he or she can work with the financial advisor familiar with the company to determine in advance how that range translates into after-tax dollars.

The lawyer will help determine if the eventual strategies work, and how to best protect the seller and assure that all terms are met in full.

The intermediary is the marketer, manager, devil's advocate and salesperson of the procedure. Everyone must be on the same page at the end of the day.

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 \$10 million revenue level.

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

Leading you In the right Direction.

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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

Million Dollar Offerings

The NewEnglandNorth Group is offering some exciting opportunities around the region for the discriminating buyer interested in a specific business niche.

A sampling:

- NE Equipment Leasing
Offered at \$15,000,000
- VT Hospitality
Offered at \$9,000,000
- VT **Special** Trades
Offered at \$1,200,000
- NH Manufacturing
Offered at \$1,300,000
- NE IT Niche Services
Offered at \$1,700,000

Interested parties may request a Non-Disclosure Agreement form for any of these opportunities by sending an E-mail to info@newenglandnorth.com or by contacting any of the individuals listed below.

Individual offices can also advise you on other current smaller opportunities with valuations anywhere from \$250,000 to \$750,000.

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Buyers Have to Be Prepared To Show They're Serious as Well

"I'll look at anything" isn't what a business intermediary wants to hear from a potential buyer. That's a man (or woman) without a plan.

Buyers have to be prepared when the right opportunity surfaces. They likely know what business niche they're targeting, have appropriate personal financial information ready to produce along with references, and have already talked with lenders about their situation.

A serious buyer will have done independent homework on every specific business opportunity of interest and will have worked out the most important questions to ask in a meeting.

A financially qualified, focused, committed buyer is the one who will succeed in the search process and as an eventual owner of the business acquired.

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*
- *Season Professionals*
- *Confidentiality Assured*