

# ShopTalk FROM THE **NewEnglandNorth** GROUP

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[www.newenglandnorth.com](http://www.newenglandnorth.com)

## **Get Your Act Together *Before* It's Time To Sell Your Business**

There was this New Hampshire client who one day saw his own future through the prism of one of his state's more traumatic happenings ever.

"I was thinking," he said, "that what if I had been driving along I-93 and the collapsing Man of the Mountain had landed on top of my car that day.

"My business would have vanished. No one would have known how to run it. The records were a mess. I had no one in mind to succeed me. I figured I'd better get my act together even though succession or sale of my business were issues for tomorrow".

It shouldn't take a proverbial Man of the Mountain to land on your head to force you to consider the future of your business without you in charge. Yes, illness or an untimely bad accident could suddenly turn your world upside down, but for most small business owners, the task of outlining an exit plan is about looking forward to the good times in retirement or in launching another exciting business endeavor.

The exit plan means maximizing value of your business and having all the pieces in place when you choose to depart the scene.

M&A intermediaries, such as The NewEnglandNorth Group, should be on your "Call List" well before it's time to sell, along with your accountant, attorney, and machinery and equipment appraisers.

Even if you're two or three years away from placing your business on the market, Your M&A team should be guiding you toward the eventual goal.

The list of potential buyers should be started. The list is likely to include (1) individual entrepreneurs, (2) possibly someone already on board, or your own management team, (3) a larger firm in your business niche that might see your business as a strategic opportunity, or (4) a private equity group.

No matter the category, all these potential buyers will be looking to see value in your business primarily through your company's adjusted earnings before interest taxes, depreciation and amortization (EBIDTA), your position in the market, complete and clean financial statements and terms and conditions of the purchase.

Having a strong management team that will remain in place is crucial to value. An owner who has unilaterally controlled the organization, delivered the creativity and dominated customer relationships will find there is little value remaining if these assets leave in the person of the seller. Concurrently, leveragable assets, perceived growth potential and flexibility in terms all impact value and should be not be addressed just at the last minute.

You should be made aware of the information needed for the crucial due diligence phase, when a serious buyer needs to see both the plusses and the warts.

A smooth-running M&A team, armed in advance with complete and detailed information, will then be in a stronger position to deliver more buyers, and subsequently more value, as you exit stage left for new adventures and opportunities.

## **Talking The Talk**

### **Letter of intent:**

This document outlines the intent of the two parties to enter into a sales transaction. The letter usually contains price, general terms of the transaction, estimated closing date and an exclusivity clause. It provides the basis for the balance of the transaction, including drafting of the contract and due diligence.

### **Due diligence:**

The prospective buyer's investigation of the target company. The most detailed portion takes place after a letter of intent is signed. This is quite detailed, time-consuming and sometimes expensive. The results will make or break the transaction, so accuracy and honesty are critical.

### **No shop:**

A no-shop clause is commonly included in a letter of intent. This commits the seller not to negotiate with other prospective buyers for a specified period to allow the buyer time to complete due diligence and close the transaction.

### **Seller paper:**

This is when a buyer and seller agree that the buyer can make part of the payment over a specified time. In effect, the seller is lending the buyer part of the purchase price. This debt is typically junior to bank debt. For some sellers, it's the only method that gets them close to the price they want for their business.

**THE NewEnglandNorth GROUP**

**MARKETING, MERGERS & ACQUISITIONS**

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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

## The Tale of Ten Dollahs

*Ernest Fowler and his wife Martha visited the Skowhegan Fair every year. And every year Ernest said " Ya know Mahtha, I'd like ta get a ride in that theah aihplane." And every year Martha would say "I know Ernest, but that aihplane ride costs ten dollahs.... and ten dollahs is ten dollahs." So Ernest says " By Jeebers Mahtha, I'm approaching 80 yeahs old, if I don't go this time I may nevah go." To which Martha replies " Ernest, that there aihplane ride is ten dollahs...and ten dollahs is ten dollahs." Well the pilot overhears them and says "Folks, I'll make you a deal, I'll take you both up for a ride, if you can stay quiet for the entire ride and not say ONE word, I won't charge you, but just one word and it's ten dollars." They agree and up they go.... the pilot does all kinds of twists and turns, rolls and dives, but not a word is heard, he does it one more time, still nothing... so he lands. He turns to Ernest as they come to a stop and says " By golly, I did everything I could think of to get you to holler out, but you didn't." And Ernest replies " Well, I was gonna say something when Mahtha fell out.....but ten dollahs is ten dollahs!*

Ten dollars may be ten dollars, but in the world of Mergers & Acquisitions, sellers really care about "after tax" proceeds while buyers do not want to over pay. NewEnglandNorth Group intermediaries have developed expertise in focusing buyers on the "investment values" of a business as well as the experience to suggest alternatives of structuring the transaction to benefit both buyer and seller.

## Where is New England North?

The M&A Advisory firms that make up The NewEnglandNorth Group are managed by long-time New Englanders. Their combined expertise serves both sellers and buyers effectively in the Massachusetts areas north of I-90 (Mass Turnpike) and in all of Vermont, New Hampshire and Maine.

The Group stands on as proud track record of accomplishments, ready to assist sellers in a smooth and successful transition through its variety of networks. Its impressive knowledge of small and mid-sized New England businesses offers serious buyers an edge when seeking the right opportunity in the region.

The Group works primarily, but not exclusively, with assignments selling or seeking profitable businesses in the \$1 to \$25 million revenue range.

### CONTACT US

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