# Driving Value Before an M&A Transaction

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The mergers and acquisitions market continues to be hot. While it was initially unclear how the pandemic would affect it, the M&A market has proven to be highly adaptable and has recovered nicely. Historically low borrowing costs mean motivated buyers, and while it continues to be a seller's market, smart business owners are those that are still looking for opportunities to put their business in the best position to capture the highest possible price.

One avenue that many sellers go down is the private equity route. But while there is a lot of private equity money chasing deals, private equity buyers are still some of the sharpest acquirers out there. They will evaluate the business from all angles, and if there is a problem – or just an opportunity to drive the sales price down – they're going to find it.

**The smart seller needs to address potential problems before the sale. With appropriate time, there is a significant ability to fix problems and to drive meaningful value.** One to five years before a sale, a business owner needs to stay focused on achieving the following:

- Showing positive growth rates in sales, earnings, and EBITDA
- Developing strong EBITDA margins compared to competitors
- Developing recurring revenue streams
- Diversifying (where possible) your customer base and cleaning up your contractual relationships
- Develop a succession plan that empowers managers and eliminates excess dependence on key people·
- Optimize your legal, operational, and tax structure to maximize your post-tax sales price
- Settle litigation and pre-litigation claims whenever possible
- Evaluate and protect your branding and IP portfolio

Even if you are not thinking of selling today, most business owners will receive one or more unsolicited offers at some point, and it's important to be prepared. Waiting until a deal is imminent will only erode value. Unfortunately for business owners, the best time to sell is probably not the time they actually want to sell. While personal timing is important, business owners looking to maximize their



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sale price need to be flexible and take advantage of the market.

The selling of a business can take six months – or longer – so preparing ahead of time is key. Consider your advisors early. A private equity buyer may purchase 20 businesses a year. That can be intimidating for a business owner who only has one chance to sell their company. The stakes are incredibly high and assembling a team of expert advisors and giving yourself time to address liabilities is the best way to ensure you will be satisfied with your sale.