

# Gulfstream Mergers & Acquisitions

## solutions brief



## WHY VALUATIONS ARE KEY TO CREATING A SUCCESSFUL EXIT



### *Business Challenge-*

### *Business Owners Want to Know "What is My Company Worth?"*

When a business owner decides to pursue the sale of their business, inevitably one of the first questions they ask us is **"What is my company worth?"**. A principal first step of our M&A process is to conduct a preliminary assessment of value. We use this as starting place to determine a more important question **"What will my company sell for?"**. This article will show sellers how an experienced advisor utilizes the valuation and their deal expertise to ensure sellers do not end up leaving money on the table.

### **Assessing the Business Situation**

We assess the business through the value perspective of prospective purchasers. By analyzing the fundamental value factors of the business early in the exit process it gives the advisor and the owner time to make changes that can help enhance the value of the business. For example, we may identify too much customer concentration and suggest diversifying the client base. Perhaps we implement structural changes to deemphasize the necessity of owner involvement.

### **Why Valuing a Privately Held Business is Unlike Real Estate**

Having conducted hundreds of valuations over the years we can share with you that the process can be quite complex and the practice is both a science and an art. Unlike real estate or even publicly held business, privately held businesses exist in a very inefficient marketplace. There is very limited access to transaction data, no two businesses are alike, and the buyer pool is relatively small. Sophisticated buyers will exploit these inefficiencies. Having experienced professionals on your sides evens your odds or tips them in your favor.

### **Why Deal Valuations are Different than Formal Valuations**

Another issue is that the purpose of the valuation can also have a drastic effect on results. Formal valuations are usually conducted for purposes of estate tax planning, divorces, bankruptcy, and legal issues and are usually aimed at producing the lowest acceptable value possible. Unfortunately, the same valuation that may be very relevant in a courtroom often proves useless in the deal room, or worse they are used to support acceptance of a price well below what is achievable.

## Assessing the Market Situation

One of the key elements of value an advisor brings to an M&A engagement is their ability to assess what is happening in the marketplace and its potential deal effect. Is private equity buying in that space, are strategic players seeking roll up opportunities? What is the impact of interest rates for acquisition loans. Market factors outside your control or realm of knowledge can have a critical impact on what your business will sell for at a given time.

## Quality Deal Team

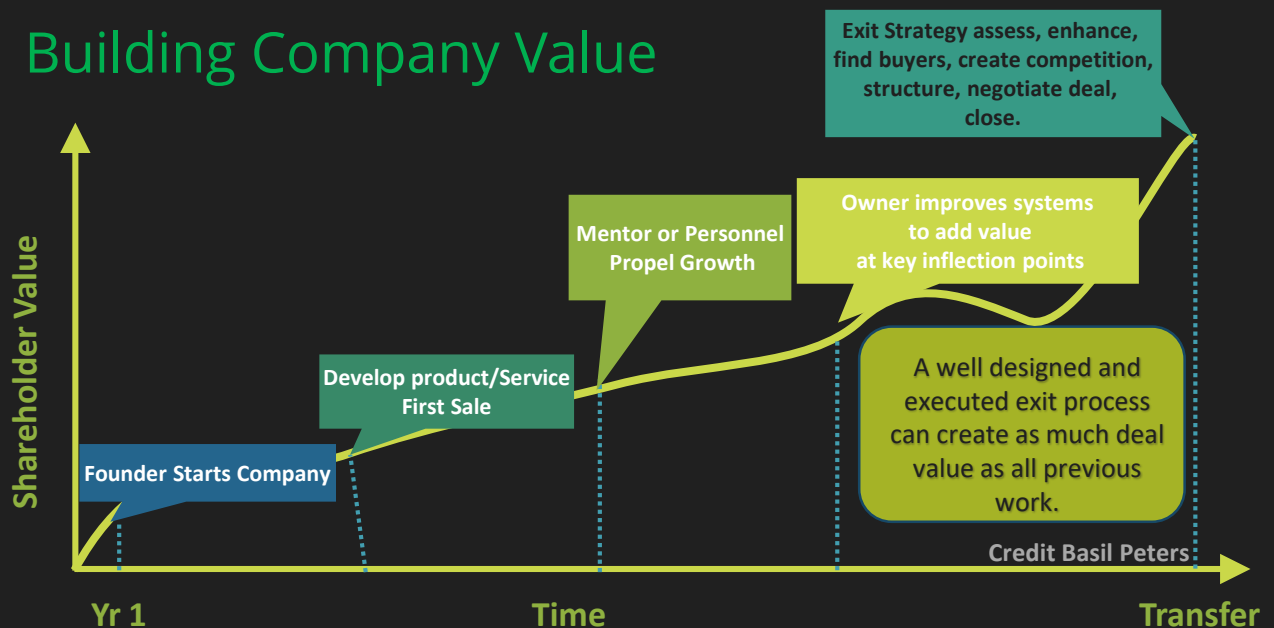
Ultimately the true value of a business is not defined by some academic exercise in but by the real world price a purchaser pays. **A properly executed exit conducted by an M&A advisor can account for a 50 % difference of the total value your company sells for.** A quality deal team understands how to illuminate value, read the marketplace, identify and create a competitive bidding process, and finally how to skillfully navigate the deal to achieve deal values at the top of the valuation spectrum. **Sadly, most owners fail to hire proper representation and they fail to get the price they deserve.**

Michael Wehl

Managing Director

mwehl@gulfstreammergers.com

## Building Company Value



## Next Steps

Contact us to schedule a confidential no obligation meeting to discuss how we can design a program that will allow you to achieve the exit to your business you so richly deserve.

Office: +1 (704) 892-5151

[info@gulfstreammergers.com](mailto:info@gulfstreammergers.com)

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

*Offices*

Charlotte / Miami / Atlanta / Boston / Philadelphia