

Sell-side considerations for M&A

Whether you are considering selling your business or already in the process of negotiating terms, you should take the appropriate steps to better understand your financial position so you can address any areas of concern with potential buyers. Your efforts can help you ascertain the business' fair market value and likely even enhance it, leading to a more favorable purchase offer.

Improve record-keeping procedures

You should be able to quickly provide financial information such as: a balance sheet, profit and loss statement, and accounts receivable and payable reports.



Clean up accounting and financial reporting

Consistency, transparency, and other record-keeping preparations can significantly lower a buyer's risk and therefore increase the actual price paid for a business. Also, identifying pro forma adjustments accompanied by supporting evidence and clear logic may allow you to negotiate a more favorable sale.



Understand and analyze key performance indicators (KPIs) and engagement metrics

Be prepared to provide financial and operational reports allowing a buyer to evaluate certain metrics and performance trends, including total revenue, monthly sales volume, average revenue per transaction, and average days to collect outstanding accounts receivable, among others. Additionally, providing insights into your engagement metrics—such as customer lifetime value, average contract size (if applicable), customer concentration, and cost of acquisition—can be highly valuable.



Lay a strong foundation by understanding your current operations

You may need to assess billing practices, supply-chain decisions and a variety of other business and operational characteristics. Proper data collection, record-keeping and reporting processes can lead to more accurate internal data, which may assist management with improved decision-making and render your business more appealing to a buyer.



Consider engaging experienced M&A consultants

Working with an advisory firm that is an experienced leader in M&A transactions can provide you with extensive market knowledge to evaluate proposed terms and pricing for a deal. The advisory team can connect you with industry-specific investors who will compete to present the best offer. Negotiating a favorable deal structure is also essential for achieving the best outcome.

