

A person is standing in the center of the frame, seen from behind, with their arms raised in a celebratory gesture. They are positioned in front of a bright, vertical orange light beam that extends from the bottom to the top of the image. The background is dark, and the floor appears to be a reflective surface. The overall mood is one of achievement or triumph.

**DO BUSINESS SELL  
AT THE PRICE THEY  
ARE VALUED AT?**

**MERGERSCORP**

The Leader In Business Sales Mergers & Acquisitions

[WWW.MERGERSCORP.COM](http://WWW.MERGERSCORP.COM)



*At MergersCorp M&A International we help our clients confidentially buy and sell privately held businesses, aligning the interests of all parties for mutual success and satisfaction.*

*It is our goal to make the process of either buying a new business or selling your current business as smooth and efficient as possible. We know how important confidentiality is to our sellers and we treat it with the utmost importance.*



WWW.MERGERSCORP.COM

**DO BUSINESS SELL AT  
THE PRICE THEY ARE  
VALUED AT?**



[WWW.MERGERSCORP.COM](http://WWW.MERGERSCORP.COM)

# Do businesses sell at the price they are valued at?

For the big companies great swings in valuation although not unknown are rare, however for the mid market company there are many examples of poor valuation. These are due either to poor planning or poor advice.

When an owner is putting their business on the market it is usually necessary to get a professional evaluation. The result of this valuation is a very extensive report which values the business to a particular figure or narrow range. This final figure is a weighted average of various factors including what sector of industry the business is in, what the financials are like, how strong the management team is, the assets, the reason for sale and so it goes on.

So, is this a fair evaluation? Should the seller expect to get the price their business is valued at? Not usually. There are lots of assumptions that go into a valuation report, some of which are more subjective than others.





The most important value for someone who is going to buy a business is how successful the business will be in the future, what its potential for growth is and what the effect of companies that merge has on their operating income. Of course these can never be known, as there are so many factors that will affect these outcomes and everyone will make a different assessment.

As well as a valuation of the business itself, the terms of the sale also affect the price paid for a business. These terms include whether there is training, what the payment schedule is, reps and warranties and whether there are earn outs. These can make as much as 40% difference in the final deal.

Without these sale terms it is not likely that a business will attain the price that it is valued at. The fact of the matter is that the price a business is sold for relies heavily on the amount a buyer is willing to pay and it often depends on what an acquirer is looking for.

Maybe surprisingly, the reason for a sale can also have an effect on the price. If a buyer understands that the buyer is in need of selling quickly, then they may just think they can get a lower price just by waiting long enough. Having competition prevents this and in general enables a business to sell at a higher price.



These two factors then, the buyer and the sale process, have a great deal of impact on the final selling price of a business and anyone selling their business should be aware of this. In order to make sure that the optimum deal is made, a lot of research and negotiating needs to take place. Although it takes time to go through the competitive bid process, the benefits make it all worthwhile. It is important to plan early and find experienced professionals to help make sure that every part of the sales process is thoroughly optimized. Without this support, it is unlikely your business will reach anywhere near the range of the professional valuation it is given.

In summary, it is very important to plan a business sale carefully and not in a hurry if you want to get the optimum deal. Preparation of your business to get a good professional valuation is only half the story. Some of the major factors in getting a good price for your business depend on the terms of the sale, the reason for the sale, finding the right acquirer, who sees the potential in the business and having competition. Specialists in Mergers and Acquisition can help to get these factors in place and have experience in finding the right clients for your business.





**Disclaimer:** This article gives general information and is not legal advice. For your own individual case you need to seek advice from a certified accountant.

**Keywords:** professional valuation, deal process, selling a business, assumptions of an evaluation, competitive bidding, Mergers and Acquisition, terms of sale



# Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
<ul style="list-style-type: none"> <li>Target &amp; market analysis;</li> <li>Initial assessment of synergies &amp; value drivers;</li> <li>Indicative valuation;</li> <li>Go or No-Go decision;</li> <li>Preparation of transaction documents (NDA – Non-disclosure Agreement/LOI-Letter of Intent);</li> <li>Select Transaction team;</li> <li>Appoint advisors;</li> <li>Consider funding ability.</li> </ul>	<ul style="list-style-type: none"> <li>Initial approach letter;</li> <li>Signing of NDA;</li> <li>Prepare &amp; share initial information requests;</li> <li>Formulation of LOI (Letter of Intent) &amp; possible negotiations;</li> <li>Initial meeting and Q&amp;A;</li> <li>Circulate information on the Target to the Transaction team.</li> </ul>	<ul style="list-style-type: none"> <li>Set scope of due diligence;</li> <li>Set up VDR (virtual data room);</li> <li>Coordinating of due diligence, further meetings and Q&amp;A sessions;</li> <li>Consider points relevant to the Post-Merger (PMI) phase;</li> </ul>	<ul style="list-style-type: none"> <li>Revisit indicative valuation &amp; prepare detailed valuation based on due diligence findings;</li> <li>SPA negotiations with the seller;</li> <li>Development of final structure (share/asset deal) and final valuation;</li> <li>Approvals;</li> <li>Signing of SPA &amp; Close.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the extent of integration;</li> <li>Development of 100 Day PMI Plan;</li> <li>Consider short &amp; long term objectives;</li> <li>Estimate requirements to capture synergies;</li> <li>Determine resource needs &amp; optimal allocation.</li> </ul>
Parties Involved				
<ul style="list-style-type: none"> <li>CFO;</li> <li>Head of M&amp;A;</li> <li>Accountants;</li> <li>Corporate finance advisors;</li> <li>Consultants.</li> </ul>	<ul style="list-style-type: none"> <li>Senior management;</li> <li>CEO, CFO, CTO;</li> <li>Strategy director;</li> <li>Head of M&amp;A;</li> <li>Head of Business Development;</li> <li>Consultants.</li> </ul>		<ul style="list-style-type: none"> <li>Company general counsel;</li> <li>Lawyers;</li> <li>Senior management.</li> </ul>	<ul style="list-style-type: none"> <li>Company general counsel;</li> <li>Lawyers;</li> <li>Senior management/HR.</li> </ul>



An overhead photograph of a business meeting around a wooden table. Several people's hands are stacked in the center of the table. The table is cluttered with business-related items: a laptop, a calculator, a coffee cup, a glass of water, a pen, a notepad, and some documents. One document is titled 'INFORMATION'. The lighting is warm and focused on the center of the table.

# Looking to Buy or Sell a Business?

CONTACT US NOW  
FOR A FREE  
BUSINESS VALUATION

**GET FREE VALUATION**

**MERGERSCORP**

The Leader In Business Sales Mergers & Acquisitions

[WWW.MERGERSCORP.COM](http://WWW.MERGERSCORP.COM)

[MergersCorp.com](https://MergersCorp.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Member firms of the MergersCorp network of independent firms are affiliated with MergersCorp International. MergersCorp International provides no client services. No member firm has any authority to obligate or bind MergersCorp International or any other member firm vis-à-vis third parties, nor does MergersCorp International have any such authority to obligate or bind any member firm.

Copyright © 2020 MergersCorp International. All rights reserved.

