

# How to choose a buyer for your business

You've spent years building a successful company. Choosing who to entrust that legacy to is one of the most important decisions of your life. Below we share some of the factors to consider when evaluating buyers.

## BUYER HISTORY

### Industry experience

How deep of an understanding does the buyer have of the particulars of your industry? More experience can lead to streamlined diligence and specialized advice based on past experience, while more generalist buyers might provide unique, cross-industry perspectives to challenges. Decide how important industry expertise is for you and the future of your company, and evaluate buyers accordingly.

### Track record

Does the buyer have a track record of seeing transactions across the finish line? A positive track record of closing deals can provide greater certainty of closing for sellers.

### Feedback from other companies

How do current or past portfolio companies (or merged companies in the case of a strategic buyer) feel about the buyer? Did the buyer follow through on promises made during the transaction? What does the day-to-day relationship look like post-closing?

### Source of funds

How is the buyer funding the transaction? Do they already have capital secured, or will they be raising funds during the transaction process? Buyers with their own capital or with capital already secured often provide greater certainty of closing.

### Internal approvals needed

Are the parties you work with during the initial and diligence phases the same parties that will be making the ultimate decision on whether to invest in the company, or are there internal approvals needed by the buyer's team prior to completing a transaction? Understanding who the decision maker is can help avoid going too far down the road with a buyer only to find out the decision makers aren't on the same page.

# BUYER OFFERING

Does the buyer have relationships or connections that can help your company grow? Can they help fill gaps in knowledge or staffing, or are they only providing capital?

# PRICE and STRUCTURE

Is the buyer proposing a 100% purchase, a majority investment, or a minority investment? Is part of the purchase price subject to an earnout? Are you able to retain a stake in the equity for a second liquidity event later? What amount of debt is being used? Is the buyer willing to be flexible on any of these terms to further align with your goals as the seller?

## TRANSACTION PROCESS

Understand the timeline to close for each buyer, which is often heavily influenced by the due diligence process. Are some buyers able to move quicker than others? How much time will this take away from your day-to-day of running the company?

# FUTURE RELATIONSHIP & PLANS FOR COMPANY

## Your Involvement

What level of involvement do you want in the company going forward, and is each buyer aligned with that? Do you want to retire but one buyer prefers you to continue to lead the company? Do you want to remain at the company but a buyer wants to install their own CEO? Are you able to be involved in an advisory role?

## Their Involvement

How does each buyer interact with companies after closing? Will they form a board? Do they want to be involved in day-to-day operations? How often do they expect updates or reports from their management teams? Many of these questions can be answered through reverse due diligence by the seller.

## Future Vision

Do you agree with each buyer on the future vision of the company? Do you understand and approve of the plan for current employees post-transaction? Who (which specific people) at the buyer will have responsibility for the buyer's investment post-closing? Do you like these people, realizing that you're likely to spend a lot of time interacting with them even after closing? Future strategic decisions will require buy-in from both parties, so alignment and trust upfront is key.

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