

TYPES OF BUYERS

Financial Buyers: Financial buyers purchase your company's future stream of profits, so their evaluation of your business' worth focuses on your profitability and the likelihood of those profits flowing in the future.

Private Equity Group	
PROS	CONS
<ul style="list-style-type: none">• Usually pays more than an individual investor• Very sophisticated buyer; will make sure business operates better and stronger• Often the equity you roll becomes worth a lot more down the road, which is referred to as “a second bite of the apple”	<ul style="list-style-type: none">• Can be ruthless operators who may negatively impact your culture• Do not usually buy 100% and may ask you to roll equity• Use debt to acquire your business, which needs to be serviced, and that can put a drag on your operations

Hybrid Private Equity	
PROS	CONS
<ul style="list-style-type: none">• Pays well• High level of experience in your industry• Opportunity for you to stay on	<ul style="list-style-type: none">• Will eliminate the jobs of your back-office employees (finance, HR, etc.)

Individual Investor	
PROS	CONS
<ul style="list-style-type: none">• Typically this is a somewhat less sophisticated buyer, meaning diligence can be easier to pass	<ul style="list-style-type: none">• A less sophisticated buyer who may damage your business/legacy• Might not be able to get financing to close• Pays the least• Often asks you to finance some of the deal• Buyers often get cold feet during the process

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Strategic Buyers: Strategic buyers develop an offer by estimating the value of your company in the hands of the buyer. The math a strategic acquirer does starts with imagining what would happen if your company were grafted onto its platform.

Strategic Acquirer	
PROS	CONS
<ul style="list-style-type: none"> • Cleaner deals • Usually pays the highest price • Often allows the owner to leave quickly (unless it's a service business) 	<ul style="list-style-type: none"> • Will most likely get rid of your name and brand • Bureaucratic and slow to make decisions • Diligence can take forever • Usually only buys larger companies

Acquisition Acquirer	
PROS	CONS
<ul style="list-style-type: none"> • New ideas and energy • Access to funds • Most want to honor your company name/legacy 	<ul style="list-style-type: none"> • Will generally provide lower offers • Inexperience can lead to strategies that clash with culture • Limited practical experience