

## What Do Buyers Want in a Company?

Selling your business doesn't have to feel like online dating, but for many sellers this is exactly what it can feel like. Many sellers are left wondering, "What exactly do buyers want to see in order to buy my company?" Working with an M&A Advisor is an excellent way to take some of the mystery out of this often elusive



equation. In general, there are three areas that buyers should give particular attention to in order to make their businesses more attractive to sellers.

### **Area #1 – The Quality of Earnings**

The bottom line, no pun intended, is that many accountants and intermediaries can be rather aggressive when it comes to adding back one-time or non-recurring expenses. Obviously, this can cause headaches for sellers. Here are a few examples of non-recurring expenses: a building undergoing foundation repairs, expenses related to meeting new government guidelines or legal fees involving a lawsuit or actually paying for a major lawsuit.

Buyers will want to emphasize that a non-recurring expense is just that, a one-time expense that will not recur, and are not in fact, a drain on the actual, real earnings of a company. The simple fact is that virtually every business has some level of non-recurring expenses each and every year; this is just the nature of business. However, by adding back these one-time expenses, an accountant or business appraiser can greatly complicate a deal as he or she is not allowing for extraordinary expenses that occur almost every year. Add-backs can work to inflate the earnings and lead to a failure to reflect the real earning power of the business.

### **Area #2 – Buyers Want to See Sustainability of Earnings**

It is only understandable that any new owner will be concerned that the business in question will have sustainable earnings after the purchase. No one wants to buy a business only to see it fail due to a lack of earnings a short time later or buy a business that is at the height of its earnings or buy a business whose earnings are the result of

a one-time contract. Sellers can expect that buyers will carefully examine whether or not a business will grow in the same rate, or a faster rate, than it has in the past.

### **Area #3 – Buyers Will Verify Information**

Finally, sellers can expect that buyers will want to verify that all information provided is accurate. No buyer wants an unexpected surprise after they have purchased a business. Sellers should expect buyers to dig deep in an effort to ensure that there are no skeletons hiding in the closet. Whether its potential litigation issues or potential product returns or a range of other potential issues, you can be certain that serious buyers will carefully evaluate your business and verify all the information you've provided.

By stepping back and putting yourself in the shoes of a prospective buyer, you can go a long way towards helping ensure that the deal is finalized. Further, working with an experienced M&A Advisor is another way to help ensure that you anticipate what a buyer will want to see well in advance.

*About CK Business Consultants, Inc.:*

**CK Business Consultants, Inc.** has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, [gpapay@ckbc.net](mailto:gpapay@ckbc.net) or visit our website @ [www.ckbc.net](http://www.ckbc.net).