



What is My Company Worth?

By Michael Friar, Ascend Strategic Partners, LLC, July 2016

When a business owner considers selling, the first thing they want to know is “How much is my company worth?”

As a Business Broker/M&A Advisor, I don’t like the question. I love it! It’s one of the easier questions to answer in the entire process of landing a new client. And the answer goes like this:

“I don’t know.”

These are not words I’m afraid to utter because I will look unprepared or somehow lacking knowledge in my profession. These are words I’m comfortable with because they are the truth, and they typically lead to deep discovery about your business.

Here is what I do know:

Valuation = How well your company is prepared for sale + how your company is strategically positioned and marketed + understanding the psychology of the deal to better know your buyers and how to negotiate with them + your ability to obtain multiple offers + recent successful sales in your general sector = **Your Actual Value in the Current Marketplace.***

Formal business valuations are very necessary for many reasons including S-Corp. conversions, estate tax planning, partner buy-outs, etc. However, this is not the way the M&A marketplace works. As a Business Broker/M&A Advisor, discovering real value comes from how you approach selling a company along with the company itself. Many Business Brokers/intermediaries don’t believe they have the ability to create additional value or reduce the value of your business. At Ascend Strategic Partners, we respectfully disagree.

Several years ago, Creditreport.com engaged Ascend after a two year long unsuccessful try in the marketplace with another firm. During our initial seven (7) month period, Ascend obtained two offers, one from Trans Union and the other from Equifax, each around \$180 million. Is this the value of Creditreport.com? During this same period we had approached Experian twice with absolutely no luck in gaining their interest. However, between Ascends research and our industry knowledge, we knew changes were occurring within Experian and it was becoming evident a need for Creditreport.com was coming. We went back to Experian at just the right time and guess what? They were ready-\$207.5 million ready! Additionally, with our CPA background, we were able to structure the LOI (letter of intent) in a manner in which the buyer also picked up net liabilities of our client totaling over \$13 million. Therefore, the total purchase price exceeded \$220 million. In my opinion, the value was what Ascend was able to obtain from Experian for Creditreport.com, not what the general marketplace originally said it was worth.

Communication and trust between a business owner and advisor is so important. No business is perfect. It's the fundamental belief in your company's potential or strategic fit that will drive a buyer to pay a higher price than the acquisition based on your historical cash flow alone. To be clear, your potential or strategic fit has to be factual, tangible, and achievable in order for the buyer to see and believe it. It is through this communication and trust in the seller-advisor relationship that the information is gained to achieve a clear vision for the buyer.

The question then really becomes: Can you find buyers who see your value?

Buying motivations differ greatly between corporate/strategic buyers and financial buyers (private equity groups/PEGs). Corporate buyers generally look at strategic fits. PEGs look at growth potential. Each buyer's ability to see and capitalize on their objectives is vastly different. Our job as the Business Broker/M&A Advisor is to make the corporate buyers understand the strategic fit and the PEGs to see the growth possibilities. If done properly, you can maximize the value of your company for all prospective buyers.

How much is your business worth? I don't know. Let's sit down and talk about it!

*Previously published article-"Are We at the Peak of the Seller's Market?" July 15, 2016

Ascend Strategic Partners, a Business Broker and Merger & Acquisition advisory firm is based out of California and covers the US Western Region. Ascend has specialized in business sales and value build advisory for privately held companies for over 20 years. Our sweet spot lies with companies whose sales range between \$2 million to \$100 million. Our ability to understand your business in order to find the right buyer, understanding the psychology of all the players to maximize deal terms negotiations, and our financial sophistication to fully manage you through the due diligence process all existing within the utmost confines of confidentiality, are the cornerstones of our practice.

Mike Friar, the Managing Member of Ascend Business Brokers, has closed over \$1 billion in M&A transactions as an investment banker/business broker. He has also sourced over \$400 million in debt. Not only has he been involved in over 100 Business Broker type transactions, but has also been a consultant in hundreds of additional M&A and Financial advisory engagements.

Mike brings over 35 years of investment banking/business brokerage, public accounting and strategic business management experience to the Ascend team. In 1990, he launched FHA CPAs, which by 2005 had 50 people and was one of the top 25 accounting firms in the San Francisco Bay Area. Prior to that, he was an audit partner at a regional accounting firm (Harb, Levy & Weiland) and a manager at KPMG.

Mike has extensive experience with middle market companies (\$2 million to \$500 million in revenue) in a wide variety of industries including; manufacturing, wholesale and distribution, technology, service companies, ecommerce, construction, real estate and franchise businesses. Mike graduated with a B.S. in Accounting and Finance from California State

University East Bay in 1979. He obtained his CPA license in 1981 and became a certified valuation specialist in 1998. Mike has his series 63 and 79 licenses.