

M&A: Matching Priorities – Buyer and Seller

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In the context of M&A, frequently the priorities of a buyer and a seller differ, especially at the outset of a transaction. In sum, what may be important to a buyer, frequently is not on the radar of a seller. Why? Simply put, how a seller operates its business day to day most times is not focused on risk mitigation and value drivers. For example, frequently I find that seller's have promised key people compensation in the event of the sale but just have never gotten around to documenting the details. Or simpler yet, numerous sellers cannot locate their stock certificates or recall the basics of their corporate governance. These details, while important, do not rise to top priorities for the entrepreneur focused on the next sale or cash flow issues. A buyer, however, is most focused on a return on their investment and related risk mitigation. Hence, the disconnect.

So, what's the solution? Proper planning. The simple fact is that how an entrepreneur operates his/her business will not be how he or she sells the business. As such, if the entrepreneur has the luxury of some time before the sale, then he/she should use the ramp up as a means to check on the readiness of the business for sale. Too many sellers become faced with the "triple threat" during the sale of their business: (i) selling their business; while (ii) adjusting their business to the expectations of the buyer; all while (iii) still operating their business. I can assure you this is no easy task.