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Looking to Sell a Healthcare Company Consider an M&A Advisor

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Perhaps the most important business transaction you will ever pursue is the sale of your business. Many healthcare business owners attempt to do it themselves and when asked if they got a good deal, many respond with "I think so," or "I got my asking price," or "I really don't know," or "It was a disaster." Often times these very capable business people approach the sale of their business with less formality than in the sale of a home. The purpose of this article is to answer the questions – Why would I use an M&A Advisor and what am I getting for the fees I will pay?

1. **Confidentiality.** If an owner tries to sell his own business, that process alone reveals to the world that his business is for sale. Employees, customers, suppliers, and bankers all get nervous and competitors get predatory. The M&A Advisor protects the identity of the company he represents for sale with a process designed to contact only owner approved buyers with a blind profile – a document describing the company without revealing its identity. In order for the buyer to gain access to any sensitive information he must sign a confidentiality agreement. That generally eliminates the tire kickers and deters behaviors detrimental to the seller's business
2. **Business Continuity.** Selling a business is a full time job. The healthcare business owner is already performing multiple functions instrumental to the success of his business. By taking on the load of selling his business, many of those essential functions will get less attention, sometimes causing irreparable damage to the business. The owner must maintain focus on running his business at its full potential while it is being sold.
3. **Time to Close.** Since an M&A Advisor's function is to sell the business, he has a much better chance of closing a transaction faster than the owner. The faster the sale, the lower the risk of business erosion, customer defection, employee problems and predatory competition.
4. **Large Universe of Buyers.** M&A Advisors subscribe to databases of the various healthcare business categories that enable them to screen for buyers that are in a certain SIC Code and have revenues that would support the potential acquisition. In addition they maintain custom databases of the various healthcare categories refined even further to hone in on only the best potential buyers for your business. A good M&A Advisor also has access to private equity databases that outline their buying criteria.



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would default to the outside attorney. It is not his area of expertise and could result in significant hourly fees.

9. Maintain Buyer – Seller Relationship. The sale of a business is an emotional process and can become contentious. The M&A Advisor acts as a buffer between the buyer and seller. This not only improves the likelihood of the transaction closing, but helps preserve a healthy buyer – seller relationship post closing. Many times the seller will become an integral part of the management team of the buyer's company after the sale. Often buyers want sellers to have a portion of their transaction value contingent on the successful performance of the company post closing. Buyer and seller need to be on the same team after closing.

A model that is becoming quite popular in the healthcare industry is for the big players to identify good technologies in smaller companies and to forge partnerships or strategic alliances with them. The larger company will have the smaller company spend a great deal of their resources and attention in educating the bigger player on their product and market. The smaller partner will often work very hard to integrate their offering into the broad product set of the bigger partner. Finally, the smaller company will put all their eggs into this one basket of opportunity. After the larger company has effectively removed most of the integration risk on the smaller company's nickel, they then make an unsolicited offer to buy. The smaller company is often less profitable during this "try it before you buy it period." The bigger player then predicates their offer on the latest period financials.

A good M&A Advisor can help the smaller company navigate and recover from this situation. Our experiences with businesses that engaged our firm as a result of an unsolicited offer from a buyer have been quite instructive. The eventual selling price averaged over 20% higher than the first offer. In no case was the business sold at the initial price. To conclude, an M&A Advisor helps reduce the risk of business erosion with improved confidentiality while allowing the owner to focus on running the business. The M&A Advisor led sale helps maximize sales proceeds by involving a large universe of buyers in a competitive bidding process. Finally, the M&A Advisor can improve the likelihood that the sale closes by buffering buyer – seller negotiations and by balancing the experience scales.

David Kauppi and James Brennan are principals with Mid Market Capital, Inc. MMC is a private M&A Advisory firm specializing in providing corporate finance and intermediary services to entrepreneurs and middle market corporate clients in healthcare and information technology. The firm counsels clients in the areas of mergers, acquisitions and divestitures, private placements of debt and equity, valuations, corporate growth and turnarounds. Dave began his high tech Mergers and Acquisitions practice after a twenty-year career within the information technology industry. Jim brings a broad background including telephony, information technology and healthcare.