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Before You Sell Your Lift Truck Dealership

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When you are wearing all the hats already, trying to sell your company yourself can hurt your business. A major mistake business owners make in exiting their business is to focus their time and attention on selling the business as opposed to running the business. This occurs in large publicly traded companies with deep management teams as well as in private companies where management is largely in the hands of a single individual. Many large companies that are in the throws of being acquired are guilty of losing focus on the day-to-day operations. In case after case these businesses suffer a significant competitive downturn.

If the acquisition does not materialize, their business has suffered significant erosion in value. For a privately held business the impact is even more acute. There simply is not enough time for the owner to wear the many hats of operating his business while embarking on a full-time job of selling his business. The owner wants the impending sale to be totally confidential until the very last minute. If the owner attempts to sell the business himself, by default he has identified that his business is for sale. Competitors would love to have this information. Bankers get nervous. Employees get nervous. Customers get nervous. Suppliers get nervous. The owner has inadvertently created risk, a potential drop in business and a corresponding drop in the sale price of his business.

To maximize your selling price, you must get multiple buyers interested in buying your heavy equipment business. The "typical" business sale transaction for a privately held business begins with either an unsolicited approach by a competitor or with a decision on the part of the owner to exit. If a competitor initiates the process, he typically isn't interested in over paying for your business. In fact, just the opposite is true. He is trying to buy your business at a discount. Outside of yourself there is no one in a better position to understand the value of your business more than a major competitor. He will try to keep the sales process limited to a negotiation of one. In our mergers and acquisitions practice the owner often approaches us after an unsolicited offer.

What we have found is generally that unsolicited buyer is not the ultimate purchaser, or if he is, the final purchase price is, on average 20% higher than the original offer. If the owner decides to exit and initiates the process, it usually begins with a communication with a trusted advisor - accountant, lawyer, banker, or financial advisor. Let's say that the owner is considering selling his business and he tells his banker. The well-meaning banker says, "One of my other customers is also in your industry. Why don't I provide you an introduction?" If the introduction results in a negotiation of one, it is unlikely that you will get the highest and best the market has to offer.

Because there is so much at stake you should hire a Mergers and Acquisitions firm to sell your heavy equipment business. You improve your odds of maximizing your proceeds while reducing the risk of business erosion by hiring a firm that specializes in selling businesses. A large public company would not even consider an M&A transaction without representation from a Merrill Lynch, Goldman Sachs, Solomon Brothers or other high profile investment banking firm. Why? With so much at stake, they know they will do better by paying the experts.



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Companies in the \$3 Million to \$50 Million range fall below their radar, but there are mid market M&A firms that can provide similar services and process. Generally when you sell your business, it is the one time in your life that you go through that experience. The buyer of the last company we represented for sale had previously purchased 25 companies. The sellers were good business people, knew their stuff, but this was their first and probably last business sale. Who had the advantage in this transaction? By engaging a professional M&A firm they helped balance the M&A experience scales.

Engage other professionals that have experience in business sale transactions and especially the unique valuations of heavy equipment dealers. You may have a great outside accountant that has done your books for years. If he has not been involved in multiple business sales transactions, you should consider engaging a CPA firm that has the experience to advise you on important tax and accounting issues that can literally result in swings of hundreds of thousands of dollars. What are the tax implications of a stock purchase versus an asset purchase? A lower offer on a stock purchase may be far superior to a higher offer on an asset purchase after the impact of taxes on your realized proceeds. Is the accountant that does your books qualified to advise you on that issue? Would your accountant know the best way to allocate the purchase price on an asset sale between hard assets, good will, employment agreements and non-compete agreements? A deal attorney is very different from the attorney you engage for every day business law issues.

Remember, each element of deal structure that is favorable to the seller for tax or risk purposes is generally correspondingly unfavorable to the buyer, and vice versa. Therefore the experienced team for the buyer is under instructions to make an offer with the most favorable tax and reps and warranties consequences for their client. You need a professional team that can match the buyer's team's level of experience with deal structure, legal, and tax issues.

MidMarket Capital, Inc., MMC is an M&A Advisory firm specializing in providing corporate finance and business broker services to entrepreneurs and middle market corporate clients in the Equipment Distributor, Construction, and select niche markets. MidMarket Capital is a member of Associated Equipment Distributors, AED, International Business Brokers Assn, and Midwest Business Brokers. The firm counsels clients in the areas of mergers, acquisitions and divestitures, exit planning, family business issues, valuations, corporate growth and turnarounds. Dave Kauppi began his Mergers and Acquisitions practice after a twenty-year career within the financial and information technology industries. Brad Kirkpatrick brings a broad background including commercial lending, financial analysis, consulting, heavy construction, and business ownership. Contact Dave Kauppi at (630) 325-0123, davekauppi@midmarkcap.com or Brad Kirkpatrick (563) 886-1930 bradk@midmarkcap.com <http://www.midmarkcap.com>