

BENJAMIN F. EDWARDS & CO. INVESTMENT BANKING

*Mergers and Acquisitions
Advisors to Business Owners*



2015

KEY CONSIDERATIONS IN SUCCESSFULLY SELLING A MIDDLE MARKET BUSINESS

Successfully selling a mid-sized business is often as challenging as owning and running the business. For business owners, successfully selling a business requires careful reflection, professional assistance, and an understanding of what to expect in the transaction process. It is one of the most important considerations a business owner will undertake and must be managed diligently. Business owners need to address a number of key considerations in advance of and throughout the sale process. These include questions relating to:

- **Timing**
When is the optimal time to consider a sale?
- **Professional Assistance**
Do I need help in selling my business?
- **Value**
What can I expect to get for my business?
- **Transaction Process**
What is involved and what is expected of the business owner?
- **Closing the Deal**
What are the steps?

Timing considerations are initially driven by company and personal variables. A review of market conditions generally follows. To maximize value the optimal time to consider a sale is when the business is growing, improving margins and has a positive future. Unfortunately business owners sometimes consider selling when the business is in decline vs. when the business has a positive future. In addition, personal triggers such as a loss of interest in the business or life events are often key elements in considering the sale of a business. Market conditions should also be reviewed. Fortunately for sellers, recent middle-market deal activity has been quite favorable. Today, U.S. corporations have more cash on hand than any time in history and private equity firms also have available cash to invest in private businesses.

Professional Assistance is critical in executing a successful sale with worldwide strategic and financial buyers. It is a full time undertaking

to sell a middle-market business and experienced investment banking professionals are essential to lead and manage this complex process. Working with a team of professionals that the business owner trusts is important.

Value is driven by 3 major considerations: the business, the industry and the market. The strengths and growth prospects of the business and the activity in the industry determine value. In addition, market conditions influence value. Merger and acquisition (M&A) activity is expected to remain solid throughout 2014, according to a survey conducted by KPMG LLP and the research practice unit of SourceMedia. According to this survey, "with favorable conditions in place for increased M&A activity, such as significant cash on corporate balance sheets, more confidence in the overall economy, and continued low interest rates, expanding core business functions through acquisitions is an appealing strategy for organizations." The survey also reported that middle-market deals continue to dominate with over seventy percent of survey respondents expecting their deal activity will be valued under \$250 million. In addition, according to Thomson Reuters, the middle market is ripe for a more fruitful M&A environment in 2014. "Increased economic confidence, more certainty with respect to Fed tapering, and fewer concerns about future government budget stalemates are paving the way for greater willingness to buy, sell and invest in middle market companies," as stated by Thomson Reuters.

In summary, the selling of a middle market business is a complex process that requires time, talent and experience to manage. There are many ups and downs in the process and the stakes are high. Successfully selling a business can be a rewarding process with a transformational outcome.

INVESTMENT BANKING **Benjamin F. Edwards & Co.**

Benjamin F. Edwards & Co's investment banking department specializes in selling middle-market companies.

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