Beggars *can* be choosers: Preselect your buyer

Many business owners worry that when they try to sell they'll be at the mercy of the market and have little control over the types of buyers they attract. That doesn't have to be the case. Sellers can improve the quality of their applicant pool by preselecting ideal buyers.

Of course, market conditions and timing play a role in determining the quality and variety of potential buyers. But if sellers dedicate themselves to researching buyers and use networking to find compatible ones, they greatly improve their odds of getting a satisfactory deal.

LAY OF THE LAND

Sellers should research active acquirers within their own industry as well as review recently completed M&A transactions. You might perform the research in-house, hire an outside consultant, or work with an M&A intermediary to assemble a solid list of candidates.

Search for potential buyers informally, too. For example, you or your company's executives should attend industry conferences to get a sense of which companies are considering acquisitions. You can generally glean such information from panel discussions and conversations with other attendees. And consider asking a retired executive from your industry to serve as an informal matchmaker. Former CEOs typically have good contacts and relationships and are likely to know which companies are most likely to be compatible with yours.

FINDING CANDIDATES

Whether formal or informal, your research should help you assemble a list of prospective buyers. Next, you'll want to winnow that list down to companies with the financial means to make a deal, as well as those you consider most attractive from a cultural, geographic, strategic or other perspective.

Every seller has a slightly different wish list, but in general you should be concerned with a prospective buyer's:

Current financial state. If available to you, review the company's financial statements. Do they show a substantial amount of maturing debt in the near future? Such factors could spoil a buyer's appetite for a new purchase — and debt.

Sector hierarchy. Where does the buyer rank in terms of market share in its sector? A dominant company could be interested in cementing its position through an acquisition. It's also more likely to have the ready capital. On the other hand, a smaller company could be eager to bolster its market share by making an acquisition.

Deal history. If the company has made a recent acquisition, find out how it went. Was the process fairly smooth, or was it protracted and complex? Did ugly details, such as personality conflicts, leak out to the public? Did the company suffer an exodus of talent from its acquisition? This type of information may make you decide to pass on a prospective buyer.

TAILORING YOUR PROPOSAL

Once you've refined your buyer candidate list, you'll need to tailor deal proposals to fit their individual interests. If you're aiming to get the highest possible sale price, or to sell as quickly as possible, you probably want to target buyers with a history of making quick acquisitions, such as private-equity funds. In this case, you should emphasize in your proposal a streamlined balance sheet or workforce that's easy to integrate.

If, on the other hand, your company wants to find a buyer whose business model is compatible with yours — however long that takes — write a deal proposal highlighting the similarities between your company and that of your prospective buyer. Be sure to note any products or divisions that complement or expand the buyer's existing product line or operations.

FINAL PUSH

You can only do so much screening: Chance and timing will always play a role in determining which companies make offers. However, if you carefully assemble your candidate list and calibrate your proposals, you stand a good chance of triumphing over M&A market variables and controlling your company's destiny.