

## You Have a Serious Offer, Now What?

*Louis Bruwer*

Any offer you get that is in the general ball park for your business will have terms and conditions attached to it. This is the crux of any offer you receive. This is referred to as the **Deal Structure** and it is the most important part of your offer. Why not *price* you ask? If I offer you twice what you ask for the business but want to pay you in 60 instalments or after 5 years only without anything in between will you take it? Most people will say no, money up front or at least most of it. Ok so I can also pay you everything up front but you have to work for me for free for 2 years to effectively hand over the business. So clearly price is important but the deal structure is as important.

*“Deal structure is more often than not more important than the price”*

Don't despair when you get a concrete offer in writing but it is not what you expected. It is more often than not the buyer's way of starting the final negotiations to cement a deal. In the mandate you prepared with us you stated what you are looking for. This is an offer with a deal structure to be negotiated around.

### 1. The buyer is your friend

The golden rule to keep in mind is that the buyer is your friend. He is not the enemy! He is the person that is going to pay you for your business. Treat your buyer as the most important client you ever had. You have to be in selling mode from the minute the offer arrives to when you walk away with money in the bank to pursue another dream and goal. Perception is everything and the buyer will be convinced to pay more, change the deal structure if his perception changes. You will get no better deal structure if you treat the buyer like the enemy.

*“The buyer is your friend, your most important client ever”*



So get into sales mode and convince the buyer to change his offer. Price more than often can't be changed because the valuation models used determines the price, or the financier has a specific view or the buyer just doesn't have more. Remember the value of any business is still in the end of the day what a willing buyer is willing to pay for it. So what can you change with selling to the buyer and changing his perception? The deal structure can be changed by your actions. Things like profit warranties can be amended, repayment periods, restraint of trade, the period you have to remain in the business and various other factors that will impact you. In many cases you will be expected to remain in the business for a while, do you want to do that with

someone you had a huge fight with? So enter this phase of the transaction as if it is the most important sale ever and the client is a friend.

### 2. How to negotiate

Most business owners make the mistake of wanting to negotiate around the offer made in a face to face meeting. Golden rule, use your broker to do the hard bits for you first. If you feel frustrated with the offer as it is too low, too complex, insulting, too demanding or whatever else is in it that affects your emotions; the broker is the person to be the catalyst. The buyer will have the same emotions, yes it is your life's work and baby, but never forget it's his hard earned cash in play. Remain the champion of your business and let your broker manage the bad news on both ends. Remember, if the buyer walks away from a transaction happy and you are unhappy he got the better of you, if you walk away happy and he is unhappy you got the better of him. If both of you walk away very happy one of you got taken, but just doesn't know it yet, but if both is a little bit unhappy with the outcome it was a fair deal for both.



Let your broker give you the time to objectively consider proposals made and the impact of them, don't let a face to face meeting with the buyer limit you from having a fair time to consider what is offered. Listen to your broker; he hears the full story from the perspective of the other party, as is and without any sugar coating. A buyer will easily say "The seller is mad, I am not doing that, I rather walk away!" The broker will tell convey an edited version - "The buyer feels strongly that that is a non negotiable point." The broker is a catalyst, his purpose is to broker a deal, to steer the parties away from the rocks, don't ignore the broker, but rather use him.

### 3. Assessing the Risk

The offer you receive needs to be assessed for risk so don't get swept up in the moment. Prepare with the help of your broker a list of these risks. Two out of three offers actually don't make it to being a concluded transaction. Many times it will be factors outside of your control the accounts for one of the failed offers. Statistically the other failure is as a result of some behaviour of the seller. The risks outside of your control include lack of financing for the buyer. Where he doesn't get the financing because of something you have no control over. On

*"Your goal is to sell your business not to beat the buyer"*



the other hand if your audited financials doesn't support a loan application it was in your control. Your audited financials are of the business that will be supposed to repay the loan. You can easily assess the offer and determine a lot of the risk. **A smart seller will request amendments to the offer that will ensure the deal concludes and not to try and improve his position.** So make a list of risks, and assess the offer against it to understand it. The other set of risks more directly relating to you and the conclusion of your transaction is your conduct. Create the wrong perception during the Due Diligence and defending your business and the numbers vs selling your business and the numbers will end badly. It cannot be stressed

enough that you should negotiate for what is important to you and not bicker on every small point as you may just sink a deal by been problematic about things that don't really matter to you to achieve your goal. Your goal is to sell your business for a fair market price on an acceptable deal structure. Don't sweat the other stuff. live with it.

### 4. The Other Parties Perspective

*"The buyer must always keep the seller's perspective in mind and the seller always that of the buyer"*

Most important of all – remember the other parties perspective! Every business is unique, every seller is unique and every buyer is unique. No two deals look the same, have the same set of circumstances, terms and conditions. At the end you have to sell your business to one buyer only. No matter how personal and tough the negotiations are the buyer is always your client and a friend. If you forget the buyers perspective on things you might

destroy your deal with something very silly from your perspective, but that is crucial to the buyer. A good broker will always try and understand both perspectives, so play open cards with him so that he can ensure that the buyer understands your perspective on key points. Negotiating a final offer in many cases does not happen in only a single iteration but over several.

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