



When a buyer comes knocking

Steps to take if you receive an unsolicited offer to purchase your business

BY JAMES ROTHENBERGER

MERGERS AND ACQUISITIONS are commonplace these days, buoyed by strong industry interest and performance, availability of capital, and low interest rates.

In this world, it is not uncommon for nursery owners to receive unsolicited offers to purchase their company. These can come from both financial and strategic parties.

Simply because an offer is unsolicited does not mean business owners need to catch themselves unprepared. Owners who plan ahead, present their company favorably and prepare for potential discussions with buyers are more likely to extract higher values and achieve a higher probability of a successful transaction.

Steps to take now to prepare for future discussions

Understand how your business is valued. Knowing the value of your business, and the drivers of value is crucial in helping you more objectively evaluate your transition alternatives. Perform occasional valuation assessments to prepare for unsolicited offers, which will allow you to quickly and easily

determine if the offer is a quality one.

Even if you are not currently interested in selling your business, it is important to understand your market value and valuation procedures utilized to estimate market value in order to better understand how you can continue to build and create value within your organization.

Evaluate transaction timing. Critically important, and most often overlooked, does the proposed transition timing align with your strategic and operating goals? If the timing doesn't make sense and your business is not available for purchase at this time, it is important to decide and communicate that to prospective buyers to avoid misunderstandings.

Build a "bench" of quality managers. The management team is frequently a company's most valuable asset. Identify and build up a strong "number two"; and consider "locking-in" other key employees. Financial buyers are often looking to invest in people and want to see a plan in place as owners transition out of the business.

Develop a growth strategy. Buyers want to know what opportunities you've identi-

fied, and how you plan to execute these opportunities. Implementing a financial and strategic plan that presents these goals and being able to quantify and speak to your growth plan can create additional value in a potential sale.

What to do when you receive an unsolicited offer

Request a confidentiality/nondisclosure agreement (NDA). This should be the first step you take when fielding an unsolicited offer.

Any buyer with a genuine interest will be familiar and open to this request. NDAs are industry standard for any serious discussions. A confidentiality agreement will give you assurance that any information you share with the buyer will not be shared with other parties, including your competitors.

Keep the initial conversation at a high level. It is important to protect sensitive and confidential information regarding your business, especially prior to having a confidentiality agreement in place. Additionally, it is recommended that you bring in a trusted >>>

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adviser for any in-depth discussions concerning due diligence documentation requests, transaction terms, and financing requests.

Ask questions of the potential buyer. Due diligence during potential transactions is a two-way street. Use this offer as an opportunity to ask the buyer about what they are seeing in the market, as well as key characteristics and qualities they look for in companies to acquire. What specifically about your business was attractive to them? This feedback can prove to be valuable in evaluating the current and any future offers you receive, as well as helping you understand if the party is legitimately interested in acquiring your business.

What NOT to do when you receive an unsolicited offer

Lose focus on operating your business. While an offer to purchase your business

may be exciting, it is of utmost importance to not lose focus on continuing to operate your business. It is easy for business owners to turn their attention to a potential sale process and for the business' performance to suffer as a result. Day-to-day operations should remain the priority throughout any sale process. Feel obligated to share sensitive information. Be careful about how much information you disclose to any party who contacts you. You may not be familiar with the potential buyer or understand if their offer is a legitimate one. Do not feel pressured to share any information you believe is highly sensitive, or confidential in nature.

Do it all yourself. Transactions are difficult and complex, and it is important to assemble a team to assist you throughout a potential sale process. Experienced advisers provide the advice and resources necessary to ensure the best possible outcome for not

only yourself, but your employees as well.

There are many aspects to consider during a transaction. It is recommended that you consider speaking to a mergers and acquisitions adviser to help guide you through a potential transaction. You should also consider consulting a tax accountant to help structure a potential transaction, a mergers and acquisitions attorney to help you draft and structure the various purchase agreements of the potential transaction, and a financial adviser to assist you with estate planning. ©

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GET IN THE GAME

In our state Capitol building in Salem, critical issues affecting the nursery industry are always in play. These issues include labor supplies, water supplies, pests and diseases, industry research, employer costs, taxation and many others. **The Duffers Classic Golf Tournament** keeps our industry voice strong by raising funds for the **Oregon Nurseries' Political Action Committee**. Your participation will help us elect legislators on both sides of the aisle who understand the nursery industry and who earn our support. You'll also have a great time.

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