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INVESTMENT BANKING

Business Owners: What to do if a Potential Buyer Approaches You

Merger & acquisition activity is expected to remain relatively strong.

A recovering economy, low interest rates, pro-business policies, technology-driven changes and record amount of private equity “dry powder” are seen as drivers of the currently strong M&A environment. In this sellers’ market, it is likely that more and more potential buyers will be knocking at your door. How should you respond?

While it may be flattering to be contacted, you should be very wary and careful in how you proceed. Most inquiries will be from unqualified buyers or buyers that are looking to get your business for a bargain. Regardless of the situation, buyers generally want to avoid highly competitive processes in order to decrease price and increase certainty of being the winning bidder. It can also be difficult for sellers to determine who has the available financing, is genuinely interested in an acquisition and who is just collecting information.

How do you know if you should move forward and how? Deciding to move forward in the wrong way is often a huge waste of time and can eliminate top buyers.

First and foremost, have an exit strategy. Do not be reactive, rather be proactive concerning your exit options for your business. Understand that selling a business is one of the most significant financial decisions in your life. To realize the maximum value and successfully sell your business, you need to plan properly and prepare for a sale.

When approached do not casually move forward with any potential suitors regardless of how appealing the suitor might appear.

Simply obtain the basic contact information of the potential buyer and let them know that when the time is right for YOU, you will contact them. This will save you from disappointment and wasting significant time on sale discussions that most likely will not result in a successful transaction.

If your goal is to sell the business, then we suggest that you seek professional assistance from an experienced investment banker. Investment bankers can help you maximize the value of the business and navigate the complicated and important process of selling your business.

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Benjamin F. Edwards’ Investment Banking team specializes in selling middle-market companies.

Investment Banking Team

Shelby Schagrin - shelby.schagrin@benjaminfedwards.com | 314-480-1032

Philip Metzger, CFA[®] - philip.metzger@benjaminfedwards.com | 314-480-1014

Connect With Us



benjaminfedwards.com