AARON, BELL INTERNATIONAL
INCORPORATED
Middle-market, Private Sector, Investment Banking

Opportunities To Sell Or Recapitalize Your Business

Executive Summary

The vast majority of business owners are not able to receive maximum value for their business assets due to their limited access and lack of familiarity with the total universe of business investors and buyers. Even with extensive knowledge of direct competitors, there are many more companies that may see a great strategic fit, both domestically and internationally, that are probably not in their realm of contacts. Added to that are the numerous financial buyers that have amassed substantial pools of capital to invest directly in private companies, almost none of which are household names. For business owners to get the best value in selling their businesses, the businesses must be professionally marketed to these various investors and buyers. For those business owners interested in exploring options, we have prepared this whitepaper outlining opportunities available from buyers seeking acquisitions and investments. In this whitepaper, we will discuss:

1. The potential investors and buyers seeking strategic opportunities

2. The substantial potential for acquisition among Private Equity Buyers.

3. The importance of creating a competitive environment between buyers to realize the best value from your business.

After reviewing our whitepaper, you will have a clearer understanding of your options.

Investors Seek Acquisition Opportunities

In today's economy, where corporate America is estimated to have over $2 trillion in cash reserves waiting to be deployed, the opportunity for business owners to exit their company and obtain a premium price perhaps has never been greater. One of the outgrowths of the leveraged buyout craze of the 1980s was the recognition that strategic corporate acquisitions can be a cost effective strategy by which to grow revenues and earnings. As a result, numerous corporations **actively seek a steady stream of acquisitions** that meet their investment parameters.

In general, mid-market corporations with annual revenues between $5 million and $100 million are in the greatest demand and can command premium prices because the addition of the acquisition to the acquirer's existing base of business can increase shareholder value substantially beyond the dilution incurred from the transaction.

Strategic Buyers

The ability to increase the company's profitability and augment its value often permits strategic buyers to pay a premium for highly desirable assets.

Moreover, a sale to a **strategic buyer** is typically an easier transaction to complete because the buyer is already familiar with the industry, which facilitates their due diligence.

Also, the typical strategic buyer already has management in place that can provide a smooth transition to the new ownership thereby minimizing implementation risk. When all factors are considered, including the need to invest the cash on their books, strategic buyers are among the best targets as potential acquirers of your company.

Financial Buyers

Competing with strategic buyers for high quality corporate assets are **financial buyers** which include private equity funds that raise large pools of capital to acquire companies on a leveraged or unleveraged basis.

During the buyout craze, bigger was always better for these investors, but in today's market these groups invest in the full spectrum of companies including small cap, mid-market and large cap companies that may be either profitable or losing money.   Among private equity investors, any company that has intrinsic value has a high probability to attract one or more buyers.

But regardless of the size or financial condition of the target company in each private equity investment, the underlying motivation is the same as for that of a strategic buyer, and that is to acquire a viable business and bring management expertise together with capital to create real value for the fund's investors, the company's management, and employees.

Private Equity

To get an idea of the depth of the **private equity market** and its appetite for corporate acquisitions one need only look to the amount of money that is raised for this purpose. Although it is less than what strategic buyers have available to them, according to a 2016 report by Bain and Company, in 2015 private equity firms raised $527 billion for the sole purpose of acquiring operating companies and growing them, and had uncommitted capital available of $1.3 trillion.

According to Bain Capital, there are thousands of private equity groups operating in the US and Europe looking for investment opportunities. In 2015, these groups invested a total of $282 billion in 1,800 private equity deals. This is consistent with recent deal activity and reflects that the private equity market is a large and robust marketplace.

In total, Private Equity firms have more than $1.3 trillion in

capital to be invested in transactions, nearly $500 billion strictly for buyouts, that they need to deploy or risk having to return to investors.

In addition to the funds that focus on large cap transactions, the private equity market also contains hundreds of smaller funds capitalized with as little as $50 million. However, each fund that is created invests pursuant to a specific company profile in accordance with the fund's established investment parameters.

In this manner, each fund develops **expertise in specific markets** and analyzing similar companies, which can be advantageous for sellers because well managed companies tend to stand out and get rewarded with higher valuations.

Moreover, private equity funds are usually managed by sophisticated investors with operational experience and a successful track record of investing. Very often, the investment team includes former corporate executives with senior executive operational experience which they can use to evaluate companies and grow them. In some cases these investors will **purchase less than 100%** of a company and then provide additional capital and management expertise for growth.

The proliferation of private equity groups is such that today every investment niche, no matter how esoteric, is being examined for opportunity. This also means that owners of businesses operating in unique or unusual market niches can find buyers who understand their business and know how to evaluate and enhance its operations.

Advantages

The combination of financial buyers and strategic buyers in any proposed divestiture is advantageous for business owners because it virtually

always leads to higher transaction values and multiples being paid for corporate assets and the cash flow they produce. This is particularly true for companies that have better than average margins or are rapidly growing in very large and deep markets.
The challenge for a business owner seeking investment to expand or a full exit from their company is how to **access these groups of buyers**, how best to present their company for the ideal transaction, and how to create a competitive environment to maximize interest and ultimately the price that is paid or investment available.

For these reasons and others, business owners who are exiting their companies should realize that **effectively managing a business sale process** requires market based experience and an understanding of how companies are analyzed and evaluated by different classes of buyers. As a result, business owners who work with established investment bankers will be better able to maximize their interests throughout the sale process.

Please contact Aaron, Bell International, for a confidential discussion on your company's marketability in today's M&A market. This valuable information is complimentary and with no obligation.

About Aaron, Bell International, Inc.

Aaron, Bell International (ABI), founded in 1989, is an investment bank focused on **middle market mergers and acquisitions**. We serve public and private companies with annual sales from $5 million to $250 million

Since inception, ABI has provided **hundreds of companies** with investment banking consultation on strategic financial transactions which include mergers, acquisitions, and enhancing business value in the U.S. and abroad.

Aaron, Bell utilizes proprietary techniques to assess core company strengths and underdeveloped value drivers enabling our clients to compromise less and gain more.

If you would like a complimentary assessment of your company, contact Aaron, Bell International today.

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