



**VALUFINDER**Group<sup>SM</sup>  
Middle Market Investment Banking

**FOR OWNERS**  
**Should You Sell?**

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## Should you sell your company?

You may be asking yourself, "Would selling my business accomplish my goals?" At Valufinder, we believe the answer quite clearly depends on what you want to achieve. The specific needs of an owner may be satisfied in a number of different ways.

We do not suggest selling a business in every instance. An alternative may be appropriate, such as securing additional financing, hiring new management, or implementing a recapitalization, an InHouse Recap, a joint venture, a private placement, an ESOP, a leveraged recap, a divestiture or a restructuring. For a discussion of some of these alternatives, consult the "An Owner's Alternatives" and "InHouse Recap" sections that follow.

Whatever your circumstances, considerations and objectives, we stand ready to assist you. Sometimes the most important thing we do is to educate an owner about the different kind of alternatives that are available and what they can mean. Only after a careful examination of various alternatives will we recommend a course of action that we feel best satisfies your objectives. Once agreed upon, we will help you implement it to the fullest. It may mean that you decide to do nothing, which means Valufinder will do nothing further for you. Assisting you in attaining your goals is our primary objective.

## Why should you sell?

Over the years, we have encountered owners with various reasons for seeking a change, the most common of which are discussed below. As you review these reasons, ask yourself whether they apply to you, your particular circumstances, and your future objectives. Many of the goals listed below may be accomplished without the need to sell your business.

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- **Financial Security through Diversification**
  - **Change in Personal Goals**
  - **Unique Personal Reasons**
  - **Estate Planning**
  - **Corporate Continuity and Management Succession**
  - **Capital Needed for Corporate Growth**
  - **Unique Corporate Reasons**
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*Every now and then go away, have a little relaxation, for when you come back to your work your judgment will be surer, since to remain constantly at work will cause you to lose power of judgment. Go some distance away, because then the work appears smaller, and more of it can be taken in at a glance, and lack of harmony and proportion is more readily seen.*

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- Leonardo da Vinci

## **Financial Security through Diversification**

A company often represents the major portion of a private owner's wealth. If something unforeseen should happen, such as an industry downturn or a business reversal, it could put at risk everything that the owner has worked so hard to achieve - including continued financial security and the economic well being of his or her family. By selling, or doing an InHouse Recap, or another type of recapitalization an owner can reduce personal exposure to future risks associated with a company's business, and by investing the sale proceeds in a diversified portfolio, can enhance financial security for themselves and their families.

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*Men who have attained things worth having in this world have worked while others idled, have persevered when others gave up in despair, have practiced early in life the valuable habits of self-denial, industry and singleness of purpose. As a result, they enjoy in later life the success so often erroneously attributed to good luck.*

- Grenville Kleiser

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To achieve diversification without selling, an owner may wish to consider an InHouse Recap. An InHouse Recap allows an owner to create a personal liquidity event, by taking out, in cash, a big part of the company's enterprise value, without typically selling any portion of the business, losing control or signing any onerous personal guarantees.

## **Change in Personal Goals**

Over time, we all change, personally and physically, and our goals and motivations may change as well. For certain individuals, who have reached personal levels of financial and business success, having more of the same becomes a repeat performance of an old refrain. For such individuals, the time has come to move on and sample other aspects of life's offerings. Even the most successful of businesses can be very time-consuming and may restrict the time and energy available for the exploration of other personal goals. Selling your business can provide you with the freedom and financial security necessary to pursue other areas of interest that can enrich your life, leading to greater fulfillment.

## **Unique Personal Reasons**

Other personal considerations for selling a company include personal or family health problems, marital difficulties, disagreement with management or stockholders, or other commitments that can make an owner feel less than motivated and effective in running a company.

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*The cost of a thing is the amount of what I call life, which is required to be exchanged for it, immediately or in the long run.*

- Henry David Thoreau

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## Estate Planning

If an owner's heirs are not actively involved in the business and there is no apparent or appropriate successor, an owner may be well advised to sell the company as an estate planning measure, to maximize the company's value, increase flexibility and minimize selling pressure.

### Maximize Value

An owner is undoubtedly in a better position than even the most experienced management team or trusted executor to ensure full valuation of the business and successful orchestration of its sale. Typically, an owner is a key ingredient in the profit and value of a business. Much of a company's profitability can stem from the owner's personal relationships with customers, suppliers and employees - relationships that no stranger could step in to and immediately duplicate. Accordingly, potential acquirers prefer to buy a company while the original owner is still at the helm and usually stipulate that the owner stay on for at least a transitional period.

### Increase Flexibility

Owners, who carefully plan and arrange for a sale, increase their influence over the way in which the company will be run in the future, and control how the sale proceeds will be distributed among the beneficiaries. Additionally, both new ownership and the company itself will benefit from a smooth and orderly transition.

### Minimize Selling Pressure

After an owner's death, the heirs are often faced with significant pressures to sell the business quickly. These pressures to sell may result from deterioration of the business due to the lack of direction formerly provided by the owner, or from the need to raise funds to satisfy estate taxes or unanticipated family expenses. This is certainly not the best negotiating stance. The sale of a business under such circumstances is not likely to be nearly as successful as one directed by the owner without this pressure.

## Corporate Continuity and Management Succession

Often, when owners no longer want to participate in day-to-day operations, they seek to reduce their time and the capital available for both current and future opportunities. When this happens, the company can become stale, placing a serious strain on the members of existing management, who, understandably, may feel that they are now in a dead-end position with limited or no opportunity for personal growth or financial advancement.

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*Management, in the sense of employer, is merely the agent for the public, the stockholders and the employees. It is management's job to preserve the balance fairly between all these interests, that each may have his fair share without imperiling the continuity of the effort upon which the whole depends.*

James F. Bell

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At this point, a sale, management-led buyout or restructuring may be appropriate to ensure continuity and provide for management succession. Here, both the owner and management can benefit. The owner receives a high sales price for the company before its value is permitted to decline, and the members of the management team can prosper from a new, invigorated ownership environment.

### **Capital Needed for Corporate Growth**

Growth requires capital - capital for inventory, accounts receivable, personnel, equipment, research and development, and other such items. Sometimes an owner does not have and cannot obtain the resources to invest in corporate growth. The owner may not be able, for example, to make the capital expenditures necessary to develop new products or markets, or otherwise finance expansion.

Under such circumstances a leveraged recap, a sale, merger or joint venture can provide an opportunity to take advantage of expanding business opportunities. One company may gain a new avenue of growth; the other company may gain access to additional resources needed to facilitate that growth. Beyond enhancing owners' ability to meet their own goals, taking such an action can also go a long way toward ensuring employee morale and continuity, and toward maintaining or strengthening ongoing business relationships.

### **Unique Corporate Reasons**

The complexity of today's business environment may yield many incentives, both offensive and defensive, for the sale or merger of a company. For example:

- To increase their chances of successfully defending themselves against strong foreign competition, domestic competitors may consider merging.
- To realize the full potential of a product in a different industry or marketplace, a company may benefit from a joint venture with another company that already has a deep penetration in that area.
- To produce significant benefits at all levels of operations - including longer production runs, greater purchasing discounts, reduced general and administrative costs, a broader product line - companies in similar industries or markets may combine operations. Such a move can yield enhanced market recognition with your customers and greater influence for your sales force, as well as other important operating efficiencies or synergies.

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*Whenever I may be tempted to stack up and let the business run for awhile on its own impetus, I picture my competitor sitting at a desk in his opposition house, thinking and thinking with the most devilish intensity and clearness, and I ask myself what I can do to be prepared for his next brilliant move.*

- H. Gordon Selfridge

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## Recognize Yourself?

Before you take any step in deciding to sell or restructure your ownership, it is important to determine why you want to sell. Did you recognize yourself in any of the above scenarios? Obviously, the more reasons you have for making this decision, the more compelling those reasons are to you - and the more opportune the timing - the more likely you will be to successfully accomplish your goals. While a complete sale is always an option, Valufinder may, depending on your circumstances, be able to structure several attractive alternatives to selling that may be able to accomplish the majority, if not all, of your goals.

Valufinder explores your alternatives to selling in the next two sections "An Owner's Alternatives" and "InHouse Recap". Then in the remaining sections of this segment, we provide an overview of the selling process, which may take the form of a controlled auction. We also discuss the ways in which Valufinder can facilitate and simplify that process from an owner's perspective. After you have reviewed this entire section, please feel free to contact us for a confidential discussion of your own situation. Obviously, there is no obligation on your part for these conversations.

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*Decision is a sharp knife that cuts clean and straight: indecision, a dull one that hacks and tears and leaves ragged edges behind it.*

- Gordon Graham

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**CONTACT US**  
TO LEARN MORE ABOUT OUR SERVICES.

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