TOP 10 WAYS

a transaction can go wrong

1

Declining Performance

Maintaining a company's performance while going to market is absolutely critical. Improving performance throughout the transaction process maintains or even increases the target valuation. Slumping performance decreases the valuation, and worries interested buyers.

2

Quality of Earnings

"Q of E" confirms financial accuracy and validated forecasted performance. Companies without audited financials or visibility to key drivers, sales pipelines, and backlogs often struggle to pass a quality of earnings audit.

3

Inadequate Advisors

A history of skills and experience is critical to a successful deal. It's important to have a team that knows how to navigate these hurdles, otherwise the seller is left to feel its way through uncharted territory.

4

Customer Concentration

Customer vendor concentration is a key area of risk. While long-term relationships are good, if the majority of revenues are from one customer and the seller loses some (or all) of its business with its customers, it could change the way a buyer sees the deal.

5

Misaligned Shareholders

If shareholders are not on the same page at the start of the process, the transaction is doomed from the start. Working towards clear and concise goals and realistic expectations set owner(s) up for a successful closing.

6

Depth of Leadership

Buyers pay premiums for experienced turn-key management teams that will lead the company moving forward. A lack of operational knowledge among key roles in the business will scare them away. If a business can't operate without the current owner, they will invest their resources elsewhere.

7

Lack of Growth Story

Why is the owner selling? Getting the story straight on why the owner is selling is a critical element to buyers. The speculation usually arises when the business is doing well, is poised to grow, but the owner is selling anyway.

8

Macro Market Changes

Adverse material changes can happen at any time, and while these changes may be completely out of the seller's control (i.e. a recession), these can often delay closing.

9

Due Diligence Issues

Effectiveness and efficiencies are questioned when there are no internal controls. When no one is measuring or monitoring organizational objectives, and financial statements are not what they seem; deals can fall apart in due diligence.

10

Reaching For The Last Dollar

Multi-million dollar deals have been lost over a few thousand dollars. Owners who have put everything into their businesses want to get EVERYTHING they can out of the business, sometimes to their own detriment.