

What to Look for in a Buyer



There are many reasons to sell an e-commerce or multi-channel company. Retirement, boredom, diversifying one's assets, declining results or lack of a viable prospect pool to keep the business going. But when it comes to selecting a particular buyer for the business, there are only three attributes to consider. A seller needs to optimize these three attributes when selecting to grant exclusivity to a single potential acquirer. They are:

1. Net Acquisition Price
2. Surety of Closing
3. Post Acquisition Plans

For the first attribute, and for many sellers, the most important consideration is price. The highest valuation wins. But it's not just the headline price that matters, structure is also important. For instance, is there a seller note or an earn out involved? What effect are the net working capital target, escrows and indemnification on the final take home consideration? Is it an asset sale or stock sale and how does that affect taxation?

The second attribute – Surety of Closing – is often overlooked by sellers. What good is a high price if the seller can't or won't close? Evaluating financing capabilities, historical re-pricing of LOIs and diligence requirements all play a part in evaluating the odds of closing a transaction at the LOI price.

Finally, post-acquisition plans can play a role in deciding whom to select. Will the company be subsumed by the acquirer? Will layoffs be likely? Will the new owner be a good steward of the brand? Does the acquirer have experience with the marketing channel (stores, catalog, social, ecommerce, marketplaces, etc...) currently being used? Or will they expand into new channels? Is there capital to invest in growth? Many owners think of the company they created as their child. Finding a new and appropriate home is important, though in most cases these plans cannot be guaranteed.



A good investment banker will listen to the seller's concerns and advise clients on potential acquirers' plans for all three attributes. However, sellers make the final decisions. They have to balance their desires. At the end of the day, the seller has to decide what is most important and what they can compromise.

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