Company's calling

How to prepare for the buyer visit

When a business buyer is serious about a potential acquisition but not quite ready to sign a letter of intent, its owners and executives usually visit the selling company. Although you should provide a tour of your company's offices and other facilities, the buyer's main interest during this visit is assessing possible risks and growth opportunities. The visit also gives you a chance to determine whether the buyer is serious and has the required financing to complete a deal.

Deal killers lurk

During the visit, the buyer is likely to ask probing questions about your business. For example, buyers almost always want to know why you're selling. So be prepared with an answer that communicates that you're regretfully departing a flourishing business. After all, you don't want them to think you're trying to flee a sinking ship.

They'll also seek signs of financial distress or other potential deal killers such as legal liabilities. Experienced buyers will study how closely the physical space and operations parallel your reported numbers and description of the business. Be careful, therefore, to communicate clearly any discrepancies before they visit.

> *Consider scheduling the actual tour after hours to avoid fueling the employee rumor mill or violating confidentiality.*

Buyers may be concerned about other issues, such as the likelihood that key staff and customers will remain after the deal is complete and whether the two companies are culturally compatible. And they will look for potential cost synergies.

Dialogue works both ways

During the visit, try to frame your company's weaknesses as opportunities for a different owner. For example, if a relatively understaffed marketing department has resulted in a weak market position, your business could be a growth opportunity for a buyer with the right marketing expertise.

You, too, should use the buyer visit as a learning opportunity. Ask questions that will help you ascertain if the buyer has the financial resources to make the acquisition — which can be critical in the current tight credit environment. Also learn more about your buyer's motivations. If you know what it perceives as valuable and how your business fits into its strategic plans, you may have better negotiation leverage.

Finally, ask questions that will help set your mind at ease that the business you've spent years building — perhaps at great personal sacrifice — will be in capable hands. For example, how does the buyer plan to consolidate product lines, facilities and workforces?

Appearance counts

Work with your M&A advisors to show your business in a realistic but good light. To make it visually appealing, clean up, organize and paint facilities, and repair or replace equipment. Keep in mind that the culture and operational consistency of your business will be apparent once the buyer assumes ownership and that any misrepresentations could adversely affect your reputation.

Consider scheduling the actual tour after hours to avoid fueling the employee rumor mill or violating confidentiality. If your prospective buyer has questions about your company's financial statements, inventories, suppliers or customers, the site visit can be a great opportunity to bring your Offering Memorandum to life. A "show and tell" response is more likely to reassure buyers about the acquisition than a verbal-only reply.

Remember safety first

The buyer visit is a great way to determine if the proposed merger is a perfect match. But just as you wouldn't invite strangers into your home and leave valuables lying around, work with your M&A advisors to keep your company's proprietary information safe. Once you have a non-disclosure agreement or "clean team" in place, you'll be ready to put out the welcome mat.