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MERGERS AND ACQUISITIONS SERIES

Ready to sell? How to approach the market for the best deal

Choosing the right approach to market is a critical strategic decision that will shape the outcome of your business sale. Alan Kelly, Head of Mergers and Acquisitions, explores when to follow a structured sales process or take a bilateral approach for the best result.



Selling a business is a major milestone – more than just a transaction, it's a cumulation of years of hard work and dedication to the success of a business.

So when the time comes to move on, it requires careful planning and strategic thinking to maximise its value.


In a previous article in this series, we explore how to prepare your business to be “market-ready” in advance of a sale, including having well-presented financial reports demonstrating growth, a strong management team in place, and ensuring everything is in order from a legal, regulatory and tax perspective. Here, we look at how to approach the market once you're ready, and how the experienced team at FOCUS can support you on this journey to achieve a successful exit.

One of the most important strategic decisions to make is selecting the appropriate method to approach the market, as the sales process must be carefully managed to ensure that the right buyers are made aware of the opportunity. There are two key options: a structured sales process or a bilateral approach.

This choice can significantly impact the outcome of the transaction, including the dynamics of the deal, the value achieved, and the long-term implications post-sale. To optimise results for your business, it is essential to understand the advantages and limitations of each approach. We work closely with each client to decide the best strategy to achieve your objectives.

STRUCTURED SALES PROCESS VS. BILATERAL APPROACH: WHAT'S THE DIFFERENCE?

A structured sale process involves marketing the business to a wide range of potential buyers. This method typically includes several stages: identifying the interested parties, distributing a confidential Information Memorandum (IM), qualifying buyers, and conducting a competitive bidding process, often in the form of an auction. The primary objective of the sales process is to create a competitive environment amongst buyers, thereby maximising both the sale price and favourable deal terms for you, the seller.



Alternatively, a bilateral approach focuses on direct negotiations with a single prospective buyer. This route is usually taken when there is a specific, known party, such as a competitor, strategic partner or interested financial investor, who is likely to acquire the business. While the bilateral method can lead to faster and more streamlined transactions, it lacks the competitive tension of a structured sales process, which may limit the seller's ability to drive up the price.

WHAT ARE THE ADVANTAGES OF A STRUCTURED SALES PROCESS?

Harnessing Intangible Value Drivers

While a bilateral negotiation often zeroes in on traditional financial metrics as the basis for valuation, a comprehensive sales process allows for a more holistic approach, using an Information Memorandum to spotlight intangible assets, such as company culture, IP, talent, and strategic relationships. By highlighting these non-financial facets, a company can offer a more comprehensive portrayal of its business, which may significantly enhance its perceived value.

Controlled Information Flow

The structured nature of the process enables better control over information dissemination. A carefully managed data room, staggered management presentations, and well-timed release of sensitive information can help maintain deal momentum while ensuring that critical data is protected.

Comprehensive Market Coverage

A well-designed sales process can ensure comprehensive market coverage, reaching out to a broad range of potential buyers, including those who may not have been initially apparent. Extensive, targeted outreach can increase the likelihood of identifying the most value-accretive buyers.

Creation of a Competitive Environment

By maintaining engagement with multiple parties simultaneously, a structured process can create a sense of competition among potential buyers. Such an atmosphere can stimulate buyers to submit their best offers early, reducing the need for protracted negotiations.



Standardisation and Fairness

A structured sales process provides a standardised framework that treats all potential buyers equally. This uniformity can be advantageous in situations involving multiple stakeholders (e.g., regulatory bodies, unions, etc.) who may scrutinise the process.

Risk Mitigation

By spreading engagement across multiple potential buyers, a structured sales process can mitigate the risk of deal failure. Even if negotiations with one party falter, having other interested parties can help keep the process on track.

Parallel Due Diligence

In a structured process, due diligence can be conducted in parallel with multiple parties, reducing the time to transaction closure once a preferred buyer is selected.

While the structured sales process offers numerous advantages, its success hinges significantly on your ability to effectively manage the process. This involves maintaining a competitive environment, managing information flow and navigating negotiations, which can be complex and demanding. This is where the right M&A advisory partnership can make a pivotal difference.

FOCUS Capital Partners leverages deep industry expertise, strong relationships with financial buyers, and a proven track record to expertly guide you through the complexities of the sale process. By managing each stage with precision — from market outreach and risk mitigation to value validation — FOCUS ensures you maximise the benefits of a structured sales process and achieve the optimal transaction outcome.

Ability to Shape Buyer Perception

The sales process offers you the opportunity to shape the narrative around your company's sale. A well-orchestrated process can highlight the company's strengths, address potential concerns proactively, and position the business attractively in the eyes of potential buyers.

Validation of Value

By allowing multiple parties to submit bids, a structured process can validate the company's value in the marketplace. This aspect can be particularly beneficial in situations where the company's value is uncertain or subject to dispute.



WHAT ARE THE ADVANTAGES OF A BILATERAL APPROACH?

Speed of Execution

Bilateral negotiations, being inherently less bureaucratic, can expedite the transaction process. The rapid speed of execution is advantageous in scenarios where time is of the essence – for instance, in rapidly evolving markets, or in situations where your financial or strategic demands require swift action.

Confidentiality

With fewer parties involved, bilateral negotiations typically offer a higher degree of confidentiality. This aspect can be critical in scenarios where leakage of deal-specific information could disrupt business operations, influence market perceptions, or alert competitors.

Flexibility and Customisation

Bilateral negotiations allow for a greater degree of customisation in the deal terms. This flexibility can be instrumental in aligning the interests of the buyer and seller, particularly in complex transactions involving unique assets or intricate financial structures. The ability to negotiate bespoke terms can also facilitate the resolution of potentially contentious issues, smoothing the path to eventual deal closure.

Cost-Efficiency

The absence of a broader sales infrastructure often translates into lower transaction costs in bilateral negotiations. This cost efficiency can enhance the net value realisation for your sale. It can also be a decisive factor in smaller transactions where the costs associated with a structured process may not be justifiable.

A bilateral sale process — where the seller engages directly with a single buyer — can significantly accelerate deal execution, making it an attractive option for time-sensitive transactions. It allows for greater flexibility in structuring deal terms and often fosters more collaborative negotiations, while confidentiality is easier to manage. However, the trade-off is reduced competitive tension, which can limit pricing leverage and negotiation power. Ultimately, a bilateral process suits businesses with strategic buyers already identified or where discretion and speed are paramount.

Even in a one-on-one negotiation, an M&A advisor plays a critical role in maximising value and minimising risk. From ensuring the seller is fully market-ready and accurately valued, to structuring the transaction efficiently while protecting your interests through due diligence and closing, the advisor provides essential guidance every step of the way.



WHICH APPROACH SHOULD YOU TAKE?

The choice of methodology should be informed by an analysis of several factors including:

The Nature of Your Company

If your company possesses a strong market position or is in high-growth sectors, you may benefit from a structured sales process as multiple buyers may have a strong interest, leading to a potential bidding war. Conversely, if your company operates in a highly specialised niche with a limited number of potential buyers, a bilateral approach may be more suitable.

Your Company's Strategic Objectives

Your company's strategic needs and urgency can play a significant role in choosing the right approach. If time is of the essence, or if the deal involves sensitive information that requires a high degree of confidentiality, a bilateral approach may be preferable. On the other hand, if maximising value is the primary objective, a structured sales process might be the better option for you.

Prospective Buyer Landscape

If your company appeals to a diverse set of buyers – both strategic acquirers and financial investors – a structured process may maximise value. In cases where there is an obvious buyer or a small set of potential acquirers, a bilateral approach might be more effective and efficient.

Market Conditions

Current market conditions and future trends are critical factors. In a bullish market or when sector-specific trends are positive, a structured process could yield a higher price due to robust buyer sentiment. In more uncertain or challenging market conditions, a bilateral approach may offer a quicker and more certain path to deal closure.

Your Management Team's Bandwidth

A structured sales process may require significant management time and resources. If your company's management team can afford to commit to this level of resourcing without impacting on the running of the business, a structured process may be worth the investment. If not, a bilateral approach, which usually requires less management time, could be more appropriate.

Regulatory Considerations

If your company is in a heavily regulated industry or geography, a structured process may provide more transparency and help smooth regulatory approval. In contrast, in less regulated environments, a bilateral approach may be sufficient.



KEY TAKEAWAYS

Both the structured sales process and the bilateral approach present their own distinct benefits in the execution of M&A transactions. A structured sales process offers broad market exposure and fosters competitive tension, which can help maximise transaction value and affirm your company's market valuation. In contrast, a bilateral approach enables a more focused, efficient negotiation with a single party, often resulting in a faster deal and reduced risk of information leakage.

Selecting the appropriate method for your business should be carefully considered to each deal's specific circumstances, including a strategic evaluation of your business' specific attributes, prevailing market conditions, the profile of potential buyers and your broader goals as a seller. Our experienced advisors can provide invaluable guidance in making this strategic decision.

HOW WE CAN HELP

At FOCUS Capital Partners, we collaborate closely with business owners to craft tailored strategies that align with your individual objectives. As every M&A transaction is unique, making the right strategic choice demands in-depth industry expertise, a strong grasp of the M&A environment and skilled transaction management.

Through our offices in Europe and USA, and as a member of the M&A Worldwide network with partners in 34 countries, we have a strong global reach and access to a wide pool of potential buyers, ultimately maximising transaction outcomes. If you are considering selling your business or want to discuss your options, please reach out to us for an initial conversation today.



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