

WHAT DOES A BUSINESS BUYER WANT?

By: ALICIA BROCKLAND, CPA, ABV



As a business owner, your business is likely your most valuable asset. But how do you determine the value of that asset?

To answer this question, let's look at the value from a buyer's point of view. There are two primary types of buyers: strategic and financial. Strategic buyers are interested in finding companies that synergistically integrate with their current business; financial buyers are interested in making an investment and realizing a return on that investment. Because of their different objectives, these two types of buyers may place very

different values on the same company.

Strategic buyers will evaluate your business in the context of how it will fit in or complement their existing business. They may look towards achieving economies of scale, cost-cutting opportunities or entering a new geographical area. Financial buyers will evaluate your business on cash flow and the potential for long-term value. They may place more emphasis on exit opportunities to achieve a desired return on their investment.

Understanding the objectives of potential buyers can help you determine where to place your focus. We will talk about steps you can take to enhance the value of your business in a future post.