Cadence Bank Podcast: In Good Companies

Episode 7: The Art of the Possible: Mergers & Acquisitions

You poured your heart and soul into making your business the best that it can be. Now that you're ready to move on, you deserve a return that reflects all that hard work. But the process of selling a business is complicated: where do you find the right person to buy it, and how do you agree on a fair price? To complicate matters, for most business owners, this will be the first and last time they conduct a transaction of this magnitude. So, it's important to get the advice of people who have been there before.

BJ Green sees all sorts of sales from his role as Cadence Bank's Georgia Commercial Banking Executive. As for Mark Loeffler, Co-Founder and Managing Director of boutique investment bank VRA Partners, his job is to actually run these sales processes for small and mid-sized businesses. Together, they have a wealth of knowledge on valuations, mergers, and acquisitions—what BJ calls: "The Art of the Possible." So, if midsize M&A is an art, consider these two da Vinci and Michaelangelo.

On this episode, we'll cover the timeline and steps of the M&A process, ways to improve your valuation, and how to find the right partners. You'll learn how to identify your objectives, navigate your team through a sales process and keep your business humming during it all. So, let's merge our experiences and acquire some new knowledge on the art of selling a business.

Episode Transcript:

[00:00:00] **Mark Loeffler:** You're really creating a new partnership and you're making sure that you have shared values, you have shared vision for the business. Where does NewCo want to go, and is that consistent with the objectives of the family and the shareholders?

[00:00:14] **Patrick VO:** Selling a business is often a once-in-a-lifetime transaction. There are a ton of factors, and the stakes are high. So how do you get it right the first time?

[00:00:23] **Mark Loeffler:** That's a key component to ultimately having our client pick the winning bidder, which would be the winning bidder in terms of price and they just feel like there's a better partnership that can create more long-term value for the share.

[00:00:44] **Patrick Pacheco:** I'm Patrick Pacheco, and you're listening to In Good Companies from Cadence Bank, the podcast where we answer the toughest questions facing your business and guide you through the company lifecycle from start to sale and success to succession.

[00:01:06] **Patrick VO:** You've built a valuable business, but you don't want to run it forever. Maybe you want to retire, or you want the freedom to pursue other ventures. Or perhaps you just want a little more financial security. You put nights, weekends, heart and soul into making your business operational and profitable. So how do you transform that business into liquidity? How do you cash out your chips at the end of the night?

Well, the short answer is to sell your business. But that's an answer that only leads to more questions. Because who do you sell it to? How do you know you're getting a fair price? And how do you manage what would be, for many of us, a once-in-a-lifetime transaction?

The first step is to talk to the right people, and that's what we're doing today.

[00:02:00] **BJ Green:** So I'm BJ Green with Cadence Bank in the state of Georgia.

[00:02:06] **Patrick VO:** BJ is the Georgia Commercial Banking Executive at Cadence, and he's focused on the financing needs of mid-sized companies. And though he doesn't conduct business sales himself, he introduced us to someone who does.

[00:02:30] **BJ Green:** We try to be strategic advisors to our clients and prospects. And when we find situations where a business owner may want to sell or look for some type of liquidity event, I like to bring in somebody that I feel very confident in, that I think will handle the situation the right way and be as professional as we would hope. And so VRA would be a very first call for us.

[00:02:41] **Mark Loeffler:** Good afternoon. I'm Mark Loeffler. I'm a co-founder and managing director of VRA Partners. It's a boutique investment bank here in Atlanta. Probably 60% or 70% of our business is what we'd call sell-side M&A advisory, so representing sellers of companies, seeking liquidity events and helping them find new partners.

[00:03:09] **Patrick VO:** Both BJ and Mark are technically bankers, but they specialize in very different things.

[00:03:14] **BJ Green:** I think the big differentiator between what Mark does and what we do is Mark is really looking for that growth, and I think a prospective buyer is coming in to see what is the art of the possible over the next three to five, seven years if they were to own this business. Our approach is we're a lot more interested in just getting our loan paid back. So consistency of earnings and cash flow, making sure they can execute on their plan and quite honestly, taking a more conservative look at the business, but it's all about, for us, the blocking and tackling. The growth is equity, and I think the sustainability and the consistency is where the debt piece comes in.

[00:03:55] **Patrick VO:** Before you engage in any of the M&A steps, it's important to consider your goals in selling your business, because that will shape the whole process.

[00:04:06] **Mark Loeffler:** Our job in going into a sell-side process is really to listen to what the objectives of the shareholders are, and we try to solve for that. Some of our sell-side clients are families or founders. They've taken the business as far as they can take it and they really want to sell a hundred percent of the business, and there may be a transition role that they play for a year or two and then they want to move on. Others are potentially younger or pretty excited about the notion of partnering with a private equity firm and we'll solve for that. And in some instances, they don't know, and our job is to go out to strategic and private equity firms and create optionalities and alternatives from which they can pick the best deal and the best partner.

[00:04:59] **Patrick VO:** Even if he's not directly involved in the process, someone like BJ can be a great resource in deciding if you're ready to sell.

[00:05:09] **BJ Green:** If we're doing our jobs as bankers, we are having those strategic dialogues with companies a lot. It may be more along the lines of I'm thinking about selling. How do the markets look from a multiple perspective or how should I think about this process? If I were going to do something, what are the right firms that I actually should be thinking about? And I would say for sure, I've had business owners call me. There's a company here in town that just went through a sell process. They ended up selling to a family office. And the CEO would call me maybe two or three times and just bounce things off of me to say, "You've been through this more than me. Am I thinking about this the right way? Are there hidden issues or concerns I should have? Or this is how it's going? Can you just react?"

It's a part of being a banker. I think you get to know these people. They trust you. And so you're in a unique position to help them and give them advice because you've been there before and you've got the experience to maybe help them. For most of these business owners, it is the first and only time that they will sell a business. They have built it from scratch over 15 or 20 years. It's their one shot to do this and get it right, and so they are very careful and sensitive about how it's executed and doing it the right way, and I think that lends itself to some dialogue.

[00:05:59] **Patrick VO:** Sometimes, before you've even considered selling your business, opportunity comes knocking. But BJ has some words of caution if that happens.

[00:00:44] **Patrick Pacheco:** I'm sure that you get called on once in a while from business owners, clients that say BJ, I got an offer to buy the business today, just out of the blue. Yeah. Somebody sent me a letter and said they want to buy my business for X. How do you suggest business owners handled that type of approach?

[00:07:02] **BJ Green:** It's a really interesting question. That happened to one of our clients a couple of years ago. They were approached by a company that was consolidating businesses in their space, and they went ahead and made a deal and closed a transaction with an unsolicited buyer. I think it hit their valuation targets and metrics and that kind of thing.

My advice would be, and I would strongly discourage sellers from doing that, I think that it's in their best interest to hire somebody like Mark and at least have the conversations with a professional investment bank to talk about all of the different trade-offs that may happen, if you will, and thinking about who you're selling to. In my mind, the best way to reach the right valuation is to run a process. It may be a limited process, but I think swinging at the first pitch doesn't always provide you with the best outcome. So if you can be a little more thoughtful, a little more patient, think a little more globally or broadly about the situation, I think that tends to lend itself to either (a) maximizing the value or (b) giving you some ideas or thoughts that you hadn't considered, that may be longer term better for you and your family situation because there are just circumstances that you may not even be aware of that a professional advisor can raise and help you.

This company bought our customer for a certain valuation, and within three months, they had packaged that business and another one and sold it to a bigger consolidator for a multiple two times above what they exited for. And our client did not know what hit them. They were very naive to the bigger waves or dynamics in the market that I think had they known, could have really helped them better their chances to get the right valuation.

[00:09:05] **Patrick VO:** Speaking of valuation, it will be one of the most critical factors of the M&A process. So what goes into determining that all-important number?

[00:09:15] **Mark Loeffler:** Maybe first and foremost, we look at the financial profile of the particular company. And so what does that mean? It's historical sales and revenue growth would be one; what the profitability, the gross profit margins are; the EBITDA margins are. Other things that are critically important in determining valuation. What are the competitive differentiations that a particular company has? It could be product differentiation. It could be service differentiation. We often look at the quality of the management team who go through this process. Can they get through management presentations? Can they present their company and their opportunity in the future? We look at growth prospects. Have they grown historically? What does that look like? What's the future look like? Are there many ways that the company continued to grow organically? Could, with the help of a strategic partner or a financial partner, private equity firm, are there opportunities post transaction that the company and their new partner could pursue?

To others, just the size of the business. As businesses get larger, as they get more profitable, as their earnings continue to grow, those businesses are going to typically trade at a higher multiple. Same business that's a $5 million EBITDA business versus a $15 million EBITDA business, there's typically a premium that's going to be paid for the larger business. And then we also try to look at how many buyers would have an interest in that particular company or target or client.

[00:10:59] **Patrick VO:** Valuation can be an important tool outside the M&A process as well.

[00:11:17] **BJ Green:** As a lender, Cadence Bank, and my counterparts across our footprint, we are enterprise value lenders so we think about assets on the balance sheet as a part of the equation when we're lending money to a company, but we also think really hard about the enterprise value of the business. And so a company that would trade for or be worth 12 times to a sponsor, you would put more leverage or you would be able to put more debt on that business than a company that might trade for four or five times if it's a cyclical contractor or more in a commodity like business, something like that.

And so it's always helpful for us, and we would call someone like Mark to help us with valuations if we're thinking about lending into a situation, to make sure that we're getting the debt to equity ratios based on the valuation of the business.

[00:11:57] **Patrick VO:** Of course, there will be factors to your valuation that will be determined by the market at large, so *when* you sell also plays an important role.

[00:12:08] **BJ Green:** In any market or any company that's out there, their valuation is going to ebb and flow. There are periods where the multiples might be very rich. And as they think about timing, there may be a more strategic or more opportunistic time to hit the market versus a time when things are tougher, the credit markets may be pulled back, and so it doesn't make as much sense to go out and think about an exit. So I think when you do this, a lot of times, it's important.

[00:12:41] **Patrick VO:** According to a lot of sources, valuations are currently very high. I asked Mark why that might be.

[00:12:48] **Mark Loeffler:** I think the thing that drives valuations in the lower middle market or the middle market for the businesses that we are advising, first and foremost, is just the amount of capital that has been raised by private equity firms that family offices have, corporate strategic buyers, the cash on their balance sheets. It's never been higher, the amount of capital that has been raised by U.S. domestic private equity firms, hundreds and hundreds of billions of dollars. It could be north of a trillion dollars. And so why is that important?

I'm not going to call it an oversupply of equity capital, but that capital has been raised. It wants to be deployed. And I think that pressure to put money to work from a buyer's perspective has had a positive impact on valuations. The asset class of private equity is not going to go away. The managers are better. They're better at buying businesses. They're better at improving those businesses. And so the large institutions, insurance companies, endowments, pension funds are continuing to allocate more of their dollars into private equity, and that's just great for us. It's great for Cadence. It's great for our sell-side clients who are seeking liquidity, and that's not going to change. Interest rates can have an impact on valuations. Geopolitical events can have a temporary impact on valuations, but it's a very good market and it's only going to get better.

[00:14:34] **Patrick VO:** Beyond valuation, there are many things that could make your business attractive to a potential buyer.

[00:14:40] **Mark Loeffler:** I think that it's, "What is the secret sauce?" What differentiators does that particular company have? Are its products better than the competition? Is it leading in a particular industry? Is the service that they're offering somehow differentiated or better? Does it fill a particular hole that a number of strategic buyers may not have in their company or in their arsenal? So I think it's how that particular company stacks up relative to its competition in the industry. I think most buyers are looking for companies that they can buy or invest in that have terrific growth prospects. Buyers will pay up for businesses that are growing and can continue to grow their growth multiples.

I always go back to the quality of the management team. Is this a team that can, with the support of a new controlling shareholder, continue to grow the business without a lot of oversight from a private equity firm or strategic? And I think those are the primary drivers of value.

[00:15:58] **Patrick VO:** When you're getting ready for a sale, there are a number of areas that you can improve your business to increase its value before it hits the market. In fact, this is an area that Mark thinks is critical.

[00:16:15] **Mark Loeffler:** The planning and the preparation for a sale is key.

The best transactions that we've worked on typically are ones that have taken weeks and months of thought, preparation, analysis before a process is ever run. So when I think about getting a company ready for a transaction, it's things like professionalizing the management team, looking at the team. Are there any holes in the management team? I would say that the best transactions for us are ones where there could be weeks if not months.

[00:16:53] **Patrick Pacheco:** So valuation is high, great time for maybe a business owner to consider a sale. What do they need to do to prepare for that sale? What do they need to do ahead of time to make sure they're going to maximize value?

[00:17:25] **Mark Loeffler:** Number one, having a clear understanding of what the shareholders or the family or the founders' objectives are. Is there a number that they need to get to for whatever reason in terms of valuation? Is there a succession plan? What are the key objectives of the transaction? Share those objectives and goals with your team. Our job is to solve for those objectives. And if we can't in the pitch or the presentation part of our prospective engagement, we're going to be very upfront about what we can deliver and what we can't.

And so we've sold a number of businesses where the first meeting was, here's what we think the valuation is going to be and here's the process. And it doesn't achieve the objectives of the shareholders. They sit back. They ask, "How do we get to a valuation of X?" And we'll help them think critically and objectively about what the business needs to look like. What do they need to put in place? Where do they need to be from a financial standpoint profile in order to achieve those valuations that they're after?

[00:18:29] **Patrick VO:** It's also important to think about your counterpart's objectives--and their dealbreakers.

[00:18:47] **Mark Loeffler:** Start thinking like a buyer. Identify challenges, weaknesses, holes in your company that a buyer through a sell process is going to uncover and be concerned about. So that could be things like holes in your management team. Do you have a CFO? Do you have an adequate sales force? Do you have enough leadership to continue the growth of the business? It could be things like identifying weaknesses in a particular business, so customer concentration, vendor concentration, lack of financial and accounting controls.

One event of a transaction is building a team of trusted advisors around you that can help you think about your business and that sale process objectively. So who are the team members that are critical to that? So it could be your commercial banker or your corporate banker. It clearly is ... You're going to need an investment bank to help you run through that process. You're going to need a very good corporate M&A lawyer. You're going to probably need a good tax lawyer to help you through these transactions. You're going to need a great accounting firm that may be able to take your reviewed financial statements and get them to audit financial statements. I think those are the key members of the team that will help make that sale process as efficient as possible.

[00:19:11] **Patrick VO:** A sale is a team effort, so part of your preparation should be assessing and assembling your team.

[00:19:29] **Mark Loeffler:** Well in advance of a transaction is building a team of trusted advisors around you that can help you think about your business and that sale process objectively. So who are the team members that are critical to that? So it could be your commercial banker or your corporate banker. It clearly is ... You're going to need an investment bank to help you run through that process. You're going to need a very good corporate M&A lawyer. You're going to probably need a good tax lawyer to help you through these transactions. You're going to need a great accounting firm that may be able to take your reviewed financial statements and get them to audit financial statements. I think those are the key members of the team that will help make that sale process as efficient as possible.

[00:20:17] **Patrick Pacheco:** I'll add on to that because I used to practice law, but I worked on the personal side so personal trust, estate planning. And transactions are a fabulous time to do your personal planning to leverage that deal. So it's almost like you need two teams. You need your personal tax lawyer. You need your business tax lawyer. You need your estate planning lawyer and your corporate lawyer. You need all the same characters on the other side of the fence, trying to figure out how it works with your personal planning. At the same time, it's working what's best for the business. And it can be a little overwhelming for buyers or for sellers, but when they do it, I'm just seeing that.

[00:20:56] **Patrick VO:** And your team doesn't just include the people conducting the transaction. You should also be evaluating your management team, because that's a huge part of the value of your business.

[00:21:08] **Mark Loeffler:** Let's just focus on private equity firms for a second. Very rarely is a private equity firm going to do a transaction, proceed with a transaction if it doesn't have the utmost faith in the existing team to continue to run that business.

[00:21:26] **BJ Green:** And I would tell you that in my experience, companies that are going through a sale process really need the help to bring in and professionalize their management team. And I think sometimes, it can be a blind spot that they're not either aware of or haven't felt the need to address. And I'll give you a good example.

So a lot of private companies, let's say for an example, $100 million of revenue or $150 million of revenue. They might have a CFO on the staff that is more of a controller that's done a really nice job helping them grow the business and handling the accounting piece, but may not be a strategic thinker or somebody that might show well through a sale process. And so you could be a little pound wise, penny foolish where you're not thinking about that person and how they might be received through a sale process. And so professionalizing that position, getting the right person in that seat can provide a buyer with a front viewpoint of the business and have a more interesting or a more thoughtful approach to the company.

And so getting that right person in the chair that will show a little better and bring a little more credence to the management and leadership of that business can really help you from a valuation perspective. And I think that holds true in marketing, your chief legal counsel, all those things. And so spending a little money a year or two out to get the right people in the right seats can really do and go a long way as you think about what that sale looks like and how a prospective buyer might view the management team.

[00:23:13] **Patrick VO:** Now that you've prepared, it's time to start the M&A process. But with so much at stake, it's worth understanding what M&A really means for mid-market businesses.

[00:23:24] **Patrick Pacheco:** In your experience, Mark, how many times are we looking at something that's a true merger of a strategic partner and how many times is it really just an acquisition? People call it mergers, but it seems to be more times, it's not. It's an acquisition of one business by another.

[00:23:38] **Mark Loeffler:** That's completely right, Patrick. If you think about our business and probably even Cadence clients or customers, bank customers, I would say a vast majority of the transactions, the control transactions that we are doing, are acquisitions. It is acquiring a 51% stake, 80% stake, 100% stake. And so in the lower middle market or middle market, those are largely going to be acquisitions.

When you get into public companies, much larger companies, those are more typical situations where there's actually a merger of the two companies. There is a sharing or a splitting of the equity amongst the two different shareholder groups. So even though we throw around nomenclature like mergers and acquisition, they're really acquisitions for the most part.

[00:24:39] **Patrick VO:** But whether it's a merger or an acquisition, what you're really gaining is a new collaborator; someone who you'll continue to work with, or will carry on the legacy of the business you created.

[00:24:53] **Mark Loeffler:** And a lot of the private equity firm transactions that firms like ours are going to orchestrate and lead, you're really creating a new partnership. So you're getting a liquidity event. You might sell 70% of the business, and the rest of your proceeds, you're rolling over into NewCo and so you've got a good partner. So typically, the founders or the families have a significant reinvestment into the new business, the new partnership with that client, and you're making sure that you have shared values, you have shared vision for the business. Where does NewCo want to go? Where does the private equity firm want to take it? And is that consistent with the objectives of the family and the shareholders?

So the answer is oftentimes, it does work, but it's a key component to ultimately having our client pick the winning bidder, which may not be the winning bidder in terms of price. It may be they came in second or third place and they just feel like there's a better partnership that can create more long-term value for the shareholder.

[00:26:11] **Patrick VO:** Now comes the sale. But with so much at stake, there's a careful process to ensure no stone is left unturned. And if you thought we were done with preparation, you're sorely mistaken.

[00:26:33] **Mark Loeffler:** When we think about the phases of a sale process, it generally falls into three buckets, if you will. The first is really the preparation phase, and that could take, depending on the sophistication of the client, four, five, six weeks to get ready to go to market. And so what does that entail? It's our team, the legal team doing diligence, getting organized, fixing holes in legal documents that are going to get uncovered down the road. It's really creating the marketing materials that are going to end up with prospective buyers, so the book or the confidential information memorandum, the teaser, the executive summary and ultimately, the management presentation. We typically like to see our clients do a sell-side quality of earnings analysis, which supports on a somewhat independent basis the earnings that we are presenting in the document, and then ultimately preparing a data room that down the road the buyers are going to have.

Once those materials are drafted, the client signs off on those. They sign off on the buyer's list, which is an obviously critical component. That leads you into the marketing phase, which could be another eight to 10 weeks. And so without getting into great detail, that's where we'll start approaching buyers. We negotiate non-disclosure agreements or confidentiality agreements. Books go out. Confidential information memorandums go out. Depending on the scope of the process, it could be hundreds of questions that we're entertaining from various buyers.

And ultimately about a month into that marketing process, we'll get what we call indications of interest. That's where the prospective buyers will come back and say, "We think ABC company is worth X to Y." And we'll qualify that buyer set based upon the values. That will lead to a selection of it could be two, it could be five, it could be 10 prospective buyers that are qualified in terms of who they are, their acquisition history, obviously their valuation, and we'll have in-person, typically, management presentations where the buyers will come in, they'll have an opportunity to have dinner or a lunch with the founder and the management team. And the management team will walk through a management presentation with the buyer in the room.

I love those because it's really the first opportunity for the management team and the owners to meet and start to vet, back to my point earlier, the different buyers and who they are and what their success has been. And a couple of weeks after those management presentations are completed, we'll ask for final bids. They look like letters of intent that are fairly detailed, potentially markup purchase agreements, financing commitments, things like that. From the buyer's perspective, we'll pick a buyer. We'll sign a letter of intent. We'll grant exclusivity for a period of 30 to 60 days. It just depends. And at that point, now you're down to one and the lawyers are reengaged, negotiating purchase agreements, covenants, not to compete, employment agreements, all the other things that they've got to do. And you're ultimately closing up the transaction in that exclusivity phase of 30 to 45 days.

[00:30:16] **Patrick Pacheco:** So, Mark, what does the timeline look like on this type of transaction? What has to be done, and what's the timeline that you're looking at?

[00:30:35] **Mark Loeffler:** Once a client has decided to engage and move forward with the process, understanding there could be weeks and months prior to that where they're getting ready, they're building a team, getting ready for a transaction. We generally tell our clients that if it's going to be a sale process, again, whether it's 20 buyers or 220 buyers, it's generally going to take five to six months.

[00:30:51] **Patrick Pacheco:** So it's a long process but it's not an unduly long process. It seems to move along fairly quickly.

[00:30:57] **Mark Loeffler:** No. I think if you hire a reputable investment banking firm that is really good at these processes, that's generally the cadence, no pun intended, the time that it takes to complete these transactions.

[00:31:19] **Patrick VO:** And of course, there's an important thing that shouldn't be forgotten during the sale process.

[00:31:25] **Patrick Pacheco:** How about running the business while you're doing all this? Do you see, is focus lost at times on these transactions.

[00:31:34] **Mark Loeffler:** The honest answer is even if you're very well organized, even if you've got a great team of people that can help, management team members that can help you go through this process, it's a second job. And so making sure that you're very well prepared on the front end before the process starts, you've hired a team of investment bankers and lawyers and accountants that shoulder the burden, the due diligence burden that is going to come as a result of approaching a number of investors, and just prepare your team for the fact that there's going to be a number of long days and long nights, but it's going to create a great transaction. And obviously, we're trying to create a win-win.

[00:32:33] **Patrick Pacheco:** With the merger here at BancorpSouth and Cadence, I understand that when you say it's two jobs, because it is two jobs. You have your day job then you have the, okay, let's integrate everything. It definitely takes a lot of focus, and it's really difficult to stay really focused on.

[00:32:53] **Patrick VO:** And just like you have to continue to manage your business throughout the transaction, you've also got to keep a finger on the pulse of your employees.

[00:33:04] **Patrick Pacheco:** Do you see key members get concerned and try to jump ship when they start hearing rumors of a sale or they talk to them and try to involve them from the start and say, "Hey, I'm looking at this process." And all of a sudden, it seems like a competitor gets wind of it. Competitors are also coming in and trying to snag your key people because they're nervous.

[00:33:24] **Mark Loeffler:** It's a great question, and it's always a concern, especially with the family-owned closely held businesses. And so it goes back to, the answer to that question, Patrick, it goes back to what the ultimate objectives of the shareholder or the family is. If there's an inclination that they would like to do a transaction with a private equity firm, take a liquidity event, partner with a good firm, grow that business, and there's a second buyer, the proverbial apple down the road. That's a wonderful situation where the owners can get with the management team and say, "We are going to go out and find a financial partner that is going to invest in this business, that is going to invest in you all, that you all are going to end up having an equity role in the business if you don't have one right now."

And it tamps down the inevitable anxiety that management team members are going to have about a transaction and what happens to their job. It goes back to, private equity firms aren't going to buy our business if they don't have faith in the team to run that business.

It's a little trickier where the objectives of the family or the shareholder is, I want to sell it, I want to sell to a strategic company, and I want to move on down the road. Then, we have to be a little bit more thoughtful about what we tell the team, management team, when we tell them because there are embedded synergies in the way strategic buyers look at transactions, and sometimes those synergies are people. And so having a clear understanding of goals and objectives of the family, the shareholders, the team is important before we launch into a process and start approaching buyers, whether they're private equity firms or strategics.

[00:35:30] **Patrick VO:** Between maintaining your business, all that preparation, and the process itself, that's a lot to juggle. So BJ's advice? Give yourself a head start.

[00:35:40] **BJ Green:** I think the one consideration that I would say is that all those things take time. So if you decide you want to sell your business, you don't just snap your fingers and in three months, you've got a check sitting in front of you that furthers your dream value of the business. It can take a year or more to get the right management team around the business, to make sure you've got the accounting firm, and you might need a couple of years of audits to help you think about maximizing the value of the business start earlier than you think you need to.

So I would make sure that if you have this idea that in the next couple of years you want to sell your business, I would get in front of a market VRA early and just listen. A lot about running your business, a lot about the industry you're in, but you probably haven't been through a sale process before. And so let somebody that's done this a hundred times talk to you intelligently about the team on the field, the timing, the professional nature of the reporting that you have financially and otherwise, and do your homework and really start to think about how you might do that.

And then the second thing I think is, and we've talked and hit on this a lot, you have to know what you want to do. Do you want to run that business, continue to do it? Do you want the liquidity event? Do you have a child or somebody that you can trust that you want to position for all that? And so you have to sift through some of the noise, but really have a view and come to a decision on what you want to do. And then I think get around the right people and listen to the advice because I think the combination of those things can maximize the outcome that you want as a seller.

[00:37:29] **Patrick VO:** Just like a quality business, a good sale takes time, preparation, and a solid team.

You've spent years building up your business to what it is today. You deserve a strong return on your life's work. But just because you've earned it doesn't mean it will happen automatically. Engage a trusted advisor early to walk you through the process. Build a bulletproof team and prepare them to run the show. Spend the time it takes to address your issues and prove you're not just a good business, but a great investment.

I think it's especially important to fully understand your objectives in selling--because how can you be satisfied with the result if you don't know what it is you want? And of course. Prepare, prepare, prepare. You've come this far--don't drop the ball now.

[00:38:23] **Patrick VO:** Thank you to BJ Green of Cadence Bank and Mark Loeffler of VRA Partners.

[00:38:33] **Patrick Pacheco:** In Good Companies is a podcast from Cadence Bank, member FDIC, equal opportunity lender. Sheena Cochran is our production coordinator. Our executive producer is Danielle Kernell. With writing and production from Andrew Ganem, and sound design and mixing by Alex Bennett at Lower Street Media. I'm your host, Patrick Pacheco.

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