



**MID-STATES ADVISORS**  
A Private Placement and Business Brokerage Firm  
*Newsletter*

## Mid-States Advisors, Inc. Monthly Article & Updates

**Good Morning,**

**As the economy continues to return to work we've noted that a lot of our clients, potential clients and associates have questions about what the sale of a company looks like in the Covid-19 marketplace. Are sellers realizing full value or does the shut down mean they need to work for a couple more years until "normal" returns? Each situation is different based on the severity of the effects that Covid-19 has had on a business but in general people are still achieving their price, with an expectation that some sort of normal is coming.**

**While there was some uncertainty in the M&A world in the early stages of the shutdown we are seeing a lot of active buyers in the marketplace, both private and institutional, and they are reaching out to see what opportunities we're representing. In this month's newsletter we cover some of the non-Covid-19 questions business owners seeking a potential sale of their company should ask themselves. We also discuss how a potential broker should assist them in their sale and what questions they should ask themselves before hiring a broker.**

**If you have any questions about our content or how we can help you in any way please feel free to reach out to one of our team members.**

**Our next newsletter will cover questions business owners should ask themselves when evaluating if their company is ready for a sale.**

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# **Selling the small business: the alter ego of the owner**

**This is the second in a series of articles aimed at middle market businesses and intended to help inform and guide owners and key decision makers through some of the challenging business decisions they will face in the Covid-19 economy.**

**Our first article dealt with locating funding for the lower middle market business. Our role has grown over time. We added additional funding products. A number of former funding clients asked for our assistance in selling their businesses. Many others requested assistance in preparing projections, developing and utilizing cash flow planning tools, valuing their closely held companies, and other services normally provided by a controller or CFO.**

## **Sale of Lower Middle Market Businesses**

**If you are preparing your business for sale or have decided to sell, you need to decide whether to undertake the task on your own or to hire an experienced business broker. You may have been approached by a buyer, and they may be offering what you believe is a fair price, but how do you know without checking the broader market?**

- 1. What are some of the things to consider before retaining the services of a business broker?**
  - a. Does the broker offer a personalized service? Or will your company be one on a long list of businesses they are attempting to market?**
  - b. Does the broker act as simply a salesperson, or are they skilled financial professionals, who can offer advice on how to properly package and present your business to a variety of potential buyers, strategic as well as financial?**
  - c. Does the broker understand the psychology of the Seller who is often selling a business started many years ago? Many Sellers need support in following through with a sale.**
  - d. How will the Broker approach the sale of your business? Will there be an auction-like approach that lets the entire business community know the company is for sale? This can have a negative effect on customers, employees, and other key stakeholders. Or will the Broker confidentially approach only targeted Buyers identified by the broker, and approved by the Seller before contact is made?**
  - e. Does the Broker have a deep knowledge of Transaction Structuring which is often needed to achieve a successful closing? Entrepreneurs or middle market business owners rarely possess this kind of knowledge. Investment bankers, who do or might, are usually focused on larger transactions. Structuring is especially crucial in bridging the**

**price gap between the expectations of Buyers and Sellers.**

**2. Closing a difficult transaction requires an understanding of how some combination of Senior debt, Subordinated loans, Stretch loans, Convertible debentures, Seller notes, Preferred shares, and Earnouts can be used to reach a successful conclusion. Few business owners and Brokers possess this knowledge. Does your team?**

**3. Can the Seller or management invest a significant amount of time that isn't better spent managing their day to day business?**

**4. How familiar is the Seller's team with a variety of potential buyers for a lower middle market business?**

**If you answered, "no" to any or some of the above questions, you would benefit from the services of a good Business Brokerage Advisor. Here are some guidelines for selecting the best advisor:**

- **Are they well known and respected in the business community?**
- **How much experience do they have with selling lower middle market entrepreneurial businesses of the same size as yours?**
- **How many years in business, experience in lower middle market lending, etc.?**
- **There are many brokers handling larger sales out there. Avoid them.**
- **How much of an effort will they put into assuring the best outcome for you? In other words, how much talent and time will they devote to achieve your desired result?**
- **How is their fee structured? Do they wish to be paid regardless of the result? Or do they have the confidence to take payment at the time of funding?**
- **Can they assist you in preparing your organization and management team for a transition to a new owner before you start the sales process?**
- **Can they work with you to start managing your financials (EBITDA and Adjusted EBITDA) to maximize your selling price?**
- **Can they help you decide, sometimes years before "pulling the trigger", why selling the company makes more sense than passing it to heirs, who might not share the same passion for the company?**

**Before making a decision, get answers to the above questions. Then you will be well positioned to make an informed and beneficial decision.**

**At Mid-States Advisors, we are passionate about helping middle market business owners and their companies succeed, which is why we've shared these guidelines. Of course, we pride**

**ourselves on rating extremely well in all of these categories, with over 100 years of collective experience on our team and a success track record that is stellar.**

**We are respected and well-known to a vast network of business professionals.**

**We hope you will contact us to learn more about how we can assist your company or client. Please do not hesitate to call or email a Mid-States representative for a free discussion. Here are the direct phone numbers and emails for our four primary principals (yes, we answer our own phones):**

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[See our team at Midstates Advisors' website](#)

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