

## Insider's Secrets for the Buying/Selling of Component Companies

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Our industry is changing in a big way. By now, most of you have heard about the acquisitions of independent companies across the country. Right now, some of the people reading this newsletter are either contemplating or in actual talks about selling their business. **From conversations with those who actually do the buying and selling - it could make or lose you millions of dollars depending on how you decide to handle the sale process.** The people I have been talking with deal with hundreds of millions of dollars (No B.S.), it's probably worth listening to them.

The first secret? How do big, multi-location companies come up with acquisition targets? Quite simply, **the more you show up on industry lists, the bigger your sales volume, the higher you are on the target list.** If your sales are greater than \$20 million per year, your phone has probably been ringing. Smaller businesses are more of a grey area for larger buyers. Their time is very valuable and limited, so they tend to focus on acquisitions that can make a meaningful, positive gain for their company as it takes just as much time to do a small deal as it does a large one.

Second, **the value of your company is driven by profitability, with best-in-class performers receiving premium valuations.** Long story short they want to buy great companies. Other things affect valuation, too: What part of the country your operation is, the quality of your go-forward management team in place, etc. Too many think the value of a company's assets weighs more than it actually does. Building, equipment and all types of capital investment are a data point to buyers, and it may or may not factor into your purchase price. Moving the net profit up just a few points can mean millions of added value to your company in a sale.

**What is the biggest secret of all, the one many company owners are totally unaware of? Picking up that phone call and thinking you can handle buyers directly, and the sale process on your own, is the most common mistake made.**

When you do this, two things happen. One, they know you are not thinking about selling but that you are actually considering it. **Two, buyers know they will save millions in purchase price when dealing directly with sellers, when there is no competition for the deal.** This is very hard for some to hear,

but it is true. Why? Because there is no way for you to know

all of the ins and outs, and what is "fair". Let's be honest - you're busy making trusses every day, not focusing on what the market is for your business. **Folks who buy and sell businesses for a living laugh about how a buyer can save millions when they do not have to go into the competitive bidding process that a good broker will make them go through.** A good broker will literally make 800+ phone calls to 70+ potential buyers if you want them to. An owner who is selling without a broker might make half a dozen phone calls. Who do you think creates a better environment to get the best selling price? Worried about how much this will cost you? Know that in the end, what you will find is that the fees charged by an expert broker are peanuts compared to what the added selling price will garner. I've witnessed it firsthand.



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***Many of you are literally selling "your baby", the livelihood that has been your whole world for many decades. It can be a very personal and emotional experience.*** The broker industry's stereotype is similar to that of lawyers. Many refer to them as being worthless sharks who are only concerned about making the deal, but there are also the few who have an excellent reputation and are worth their weight in gold. ***Not only do good brokers find the best selling price you are going to get for your company, they make the whole process as painless as possible.***



It takes a lot of work to make a sale happen; the good broker knows how to properly prepare and execute everything to make it all happen.

***For those who are thinking about selling, heed this advice, use a reputable broker who knows our industry and can give you references from their clients with whom you can speak.*** If they don't understand and are missing a real, expert experience within our industry- why would you think they are worthy of handling the sale of your most valued, prized possession? Get some competition for your deal and keep what you have learned in this article in mind as you look for help; it may mean millions more in your pocket.

**Contact Todd Drummond Consulting and I will confidentially and quickly reply with a referral to the best in the industry brokerage service. One simple call can make you millions more.**

TDC does not provide financial brokerage services but does act as a referral agent.