

## Someone Wants to Buy Your Audio Visual Business: Now What?!



**By Ari Fuchs, Director at The DAK Group**

**You've received an unsolicited offer to buy your audio visual business. What do you do now that your AV business might be for sale?**

Audio visual business acquisitions activity thrived in 2018, driven by strong economic fundamentals, federal tax reform, and highly receptive financing markets.

The outlook for 2019 is robust, driven by an abundant amount of private equity capital (estimated at nearly \$1 trillion), burgeoning corporate balance sheets, historically low interest rates, and stock markets at their highest point in history.

The commercial integration sector has seen more than its fair share of M&A activity in 2018 and through Q1 of 2019. Transactions that headlined the market include:

- Diversified's acquisition of Digitavia in June 2018
- AVI-SPL's acquisition of Interactive Solutions in November 2018
- Guitar Center's acquisition of Tunnel Vision Technology in January 2019
- Solutionz acquiring The Presentation Source in August 2018
- SVT's acquisition of Secant in December 2018
- Level 3 Audio Visual acquiring Audio Visual Resources in March 2019

Why is this relevant to the middle-market commercial integrator?

The increased level of M&A activity means that audio visual business owners are more likely to receive inbound inquiries from purchasers interested in buying their business.

If someone approached you with an offer to buy your business, would you know what to do?

You've probably said a dozen times that your business isn't for sale, but "of course for the right price, I'd consider it."

You may be flattered because the number may be higher than you imagined, and you may respond positively. But how do you know for sure?

Even if your first reaction is a resounding "yes," and you want to start the process (before the buyer changes their mind), is that really the prudent approach? It's unlikely that you would ever make a decision about your business with information from only one source.

If your audio visual business is for sale, what is it worth? What is the right price for my AV company? What are similar businesses selling for? What are the key value drivers of my business?

Could there be other interested buyers out there? How do I negotiate a better deal? These are all standard questions you might be asking yourself. How do you begin to respond? You need an audio visual company business plan.

### **Have An Adviser Ready**

Owners may be tempted to begin the process on their own. After all, they've built a successful company – how hard could selling it be? It's too easy to get in over your head in a short period of time.

The process can be a substantial undertaking which can often be overly distracting to the ongoing growth and success of your audio visual business. It can be emotionally draining and fraught with the possibility of mistakes that can be detrimental to the transaction and your economics.

You might be leaving money on the table or potentially even putting yourself at risk post-closing. What is likely the largest financial decision of your life is no time to learn on the fly.

Often the acquirer has gone through the process many times – they are experts at "getting what they want" and frequently speak a "different language" than the business owner.

For these reasons, we recommend assembling the right team of experienced advisers to assist you through the process and help you evaluate the situation.

This means that you need to call your investment banker/M&A professional, your lawyer, your accountant and possibly even a wealth manager.

A seasoned team of professionals that have “been there, done that” hundreds of times will be your best asset in avoiding one of a thousand costly missteps.

Once you’ve assembled your “A” team, they will help you begin to navigate the process.

#### **Four things your team of advisers will help you consider:**

##### **1. Is the Offer Fair?**

Your M&A professional should be able to help you understand the value of your business and consequently whether the offer you received is fair and reasonable.

That said, the specifics of your business can really impact its value, making it important for you to understand the value that an investor sees in your company.

If the purchaser is strategic, then you need to know how your audio visual business will impact the value of their business to negotiate the highest possible purchase price.

Even if an initial offer is deemed fair and reasonable, your investment banker can help you maintain the upper hand and push a buyer to give you the best value and terms by creating a competitive bid process which will (hopefully) generate multiple bids.

The presence (or even threat of) another buyer will force the acquirer to sharpen their pencil, easily adding additional value to the purchase price.

##### **2. Managing the flow of information is critical at the onset of a process like this.**

What information do I share? How can it be best positioned to amplify the strengths of my business? At what stage should I be sharing sensitive competitive information about my customers and employees?

The answers to these questions can have serious implications on how a buyer might view your business, potentially impacting value and terms.

##### **3. Sophisticated buyers are generally experienced negotiators.**

How do I ensure that I’m not being “out-negotiated” and leaving money on the table? This is where having experienced advisers will really add value.

Your investment banker will use their in-depth experience at negotiating transactions to relentlessly pursue every last dollar on your behalf.

Your investment banker can also play the role of “bad cop” when you need to be insulated from a difficult negotiation point to

ensure that you preserve the principal-to-principal relationship with the buyer.

This is particularly relevant if you expect to play an ongoing role in the management of your audio visual business post-closing. You will always have the opportunity to “reel” them back in if necessary.

##### **4. Keep your eye on the ball – keep doing the things that have made your business successful.**

It’s important that you continue running your business as though you plan to own it forever, particularly during the sale process. Your team of advisers will manage the process and keep it moving forward without overly distracting you from your primary mission.

Staying focused on running your business will ensure that it retains its value up to and through the transaction closing.

#### **Choosing Advisers**

The sale process from negotiating and accepting an offer, getting through due diligence and finally closing is full of ups and downs.

You will want someone experienced in the process to act as a sounding board and to provide you with coaching and recommendations throughout the process. Buyers make strategic decisions to acquire companies based on a series of good impressions.

If your story is inconsistent, you take too long to respond to simple questions, or your information has to be restated for any reason, you may see their interest go away.

Whether you are considering selling your audio visual business now or at some point in the future, you should always be prepared for that phone call and know how to respond. Understand the value of your business in today’s market. Be aware of what enhances or detracts from the value of your business.

Work with advisers who are knowledgeable and can help you navigate through the process of qualifying and validating a buyer.

You have invested years, possibly decades of your life building a successful business. When the time comes to sell the business, you’ll want to get the greatest possible value in return for all those years of hard work. So, when you answer the knock at the door, be ready to call in the “A” team!!!



##### **About Ari Fuchs**

Ari Fuchs is a Director at The DAK Group, a leading investment bank specializing in middle-market, privately-held companies. Ari is responsible for analysis and execution of sell- and buy-side strategic mandates, equity or debt capital raises, and strategic advisory services. He works closely with clients guiding them through every step of the transaction and is focused on obtaining the maximum value for every client.

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