The Benefits of Selling to Strategic Buyers

A business owner planning his exit asks where to begin. Our answer starts with one key choice: who you sell to.

By Leanne Beattie

Q. *My partner and I founded a telecommunications company twenty-five years ago that currently has $42 million in EBITDA (earnings before interest, taxes, depreciation, and amortization). The business is doing well, but we'd like to sell it in 3–5 years and start a passion project while we're still young enough to enjoy it. What's the best way to sell our business? There's a lot of information out there, but we don't know where to start.*

— Peter R., Ontario, Canada

A. Congratulations on your success! And congratulations for thinking about what you'd like to accomplish next. Selling a business is complicated, you're right. The first thing you'll want to consider is whether you want to sell to a financial buyer or to a strategic buyer. We believe selling to a strategic is the most advantageous choice, and here's why.

Financial buyers: the middleman

A financial buyer is a middleman, someone who is simply going to buy your business and then turn around and sell it to a strategic buyer. They want to get your business for as little as possible (of course) so they can make a big profit when they sell it to someone else. Which is great for them, but not so great for you.

Strategic buyers: paying for potential

A strategic buyer is someone in your industry willing to pay big multiples for your business, say 3 times, 5 times, even 10 times the value (or more) because they can leverage your business to strengthen their existing operations. For example, they could expand your distribution into other countries, take your technology global on their platform or use your business as a way to bring their products into your country. A strategic buyer looks at all the opportunities your business offers, and it's these opportunities that substantially increase the value of your business.

THE MIDDLEMAN

Financial buyer

- Buys your business to resell it to a strategic buyer
- Wants to pay as little as possible
- Their profit comes out of your price

THE BETTER FIT

Strategic buyer

- A player in your industry
- May pay 3×, 5×, even 10× the value — or more
- Pays for the opportunities your business unlocks

Start preparing now

This is a good time to start preparing to sell. STS Capital Partners has a specific Selling to Strategics process which will help you understand the real value of your business, so you'll be able to sell to a strategic buyer for the maximum price. Then you can move from success to significance as you create your passion project, or as we like to call it, your personal summit.

"Move from success to significance."

READY TO START?

Find out what your business is really worth

Contact STS Capital Partners to learn how our Selling to Strategics process can help you sell for the maximum price.