



## Why Bother Doing It The Hard Way?

Whether you want to sell your business next year or a decade from now, you will have two basic options for an external sale: the financial or the strategic buyer.

### The Financial Buyer

The financial buyer **is buying the rights to your future profit stream, so the more profitable your business is expected to be, the more your company will be worth to them.** Employing strategies that drive up the value of your business in the eyes of this buyer would be centered around removing risk and unpredictability... creating recurring revenue, reducing the reliance on one or two big customers, cultivating a leadership team, etc [\(the 8 drivers of business value\)](#).

### The Strategic Buyer

The alternative is to sell to a strategic buyer. They will care less about your future profit stream and more about **what your business is worth in their hands**, typically calculating how much more of their product they can sell by owning your business. **Strategic buyers are usually big companies, so the value of being able to sell more of their product or service because they own you can be substantial.** This often **leads strategic buyers to pay more for your business than a financial buyer ever would.**

## Preparing For Every Eventuality

The question is: **why bother making your business attractive to a financial buyer when the strategic buyer typically pays so much more?**

The answer is that **strategic acquisitions are very rare.** Each industry usually only has a handful of strategic "buyers", so your buyer **pool is small** and subject to a **number of variables out of your control...**(the economy, interest rates, the

competitive landscape, geography and a whole raft of other variables) can impact a strategic "buyer's" appetite to buy your business.

Think of it this way: imagine your child is a promising young athlete who's intent on going pro. You know that becoming a professional athlete is a long shot, fraught with unknown hurdles: injury, the wrong coach, or just not having what it takes to compete at the highest levels. Do you squash his dream? No, but you do make sure he does his homework, so if his dream fades he has his education; **you make sure he has a back-up plan.**

**The same is true of positioning your company for an exit.** Sure, you may want to sell your business to a strategic buyer in a spectacular exit, **BUT a financial acquisition is much more likely**, and financial buyers are looking for companies that have done their homework - **companies that have worked to become reliable cash machines.**