

Selling Your Mid-Market Business [\$2M – \$200M]

A Comprehensive Guide To Success



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Motivations of Typical Business Buyers in the Mid-Market Range and Why They Matter

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Buyers of Mid-Market businesses (\$2M-\$200M) typically fall into two main categories: **strategic buyers** and **financial buyers**. Their motivations differ significantly, influencing their valuation approaches and negotiating tactics.

Strategic buyers are:

- **Competitors:** Often motivated by acquiring valuable assets like intellectual property, customer base, or market share to expand their business, eliminate competition, or enter new markets.
- **Industry Players:** Companies within the same or related industries seeking to achieve vertical integration, diversify their offerings, or access new technologies and expertise.
- **Complementary Businesses:** Companies offering different but related products or services seeking to expand their product portfolio and customer base.

Their motivations typically translate to:

- **Focusing on Synergy and Strategic Fit:** They value the business's ability to integrate seamlessly with their existing operations and achieve strategic goals.
- Willingness to pay a premium for strong growth potential and market position.
- Emphasizing due diligence to assess risks and integration challenges.

Financial buyers include:

- **Private Equity Firms:** Invest in promising companies with the intention of improving their performance, increasing their value and then selling them for a profit within a specific timeframe (usually 3-5 years).
- **Venture Capitalists:** Similar to private equity but focus on younger, high-growth businesses with significant future potential.
- **Family Offices:** Invest capital on behalf of wealthy families, often seeking stable returns and diversification, sometimes with a longer investment horizon.

Their motivations typically translate to:

- Strong focus on financial performance and growth potential.
- Preference for businesses with established track records and clear paths to profitability.
- Willingness to leverage debt to acquire businesses, leading to potentially lower upfront offers.
- Focus on exit strategies like selling to another buyer or taking the company public within their investment timeframe.

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Additionally, consider:

- **Industry-specific buyer motivations:** Depending on the industry, there might be specialized motivations for acquiring businesses. For example, a healthcare company might seek to acquire a Mid-Market competitor to gain access to a specific patient population.
- **Buyer's individual investment strategy:** Each buyer within a category might have its own unique investment criteria and risk tolerance, influencing their specific motivations and offers.

Understanding the motivations of different buyer types helps you prepare for negotiations, tailor your selling points and ultimately achieve a more favorable outcome in the sale of your Mid-Market business. The MCM Wealth M&A Specialty Partnership can help you identify motivations quickly and help you decide the best approach to your business exit.

As a founding member of the MCM Wealth M&A Specialty Partnership, you can contact Bob directly at:

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