

## GATHERING INFORMATION ON A COMPANY FOR SALE

Assume you are considering selling your company and you have asked an intermediary to visit and see your business for the first time. Here is what most likely will happen.

First, you should allocate two to three hours for questions and a tour of your plant. In addition, you should be prepared to supply the following information if available.

Please note that the following is based on the assumption that the business is a manufacturing company. Most of the information supplied would be similar for most medium to large companies.

### **Business:**

To break the ice, it is easiest for you as the owner to give a quick historical overview of the company. For example, when it was started, major changes and developments, etc. An owner should provide how a typical order is handled from point of entry including how a buyer's credit is checked, how the order is entered into the system, and how it is scheduled for manufacturing or as a stock item, etc., in order to provide a sense of how efficiently and thoroughly the company executes orders. Also, the core business(es) should be explained. Is it a niche business? What makes the business unique? Is the business seasonal or cyclical? Also, is the company a C or S corporation?



### **Products:**

You will want to provide a description of the products, their price points, their market share, the rate of new products developed, and the number of SKUs in the product line. You will want to include details such as whether 20% of your products equals 80% of the sales and conversely whether 80% of the sales is generated by 20% of the customers. In addition, how are the products priced?

### **Competition:**

An intermediary will want to have an idea about the competition faced by your business. Which are the major competitors, based on size, location, breadth of product line, pricing and whether they have a competitive advantage? Consider financial resources, automation, sales coverage, dealer network, and longevity. Is the competition national, international, regional, or all of the above? To what extent is it a relationship business or will customers exhibit little loyalty? Are the customers likely to single source, double source, or more?

### **Market:**

You will want to give the intermediary an idea of your market. How big is your market? Is it a commodity business (price driven)? Is it fragmented by lots of small companies? Is it impacted by large Fortune 500 companies or impacted by foreign competition? How fast is the market growing? What affects the business (and how)? Examples would be the economy, the weather, military spending, etc.

**Sales:**

What are the sales for the past few years and what are projected sales? You should be able to describe the average sales cycle from original sales call to receipt to order. What is the channel of distribution, i.e., direct sales, sales reps, distributors, catalogue, telemarketing, direct mail, trade shows, etc.? What are the sales costs? Do you export or import, or have you considered strategic alliances or joint ventures? Tell the intermediary about the sales manager and the sales team. What is your return policy and how large a factor is product returns on total sales?

**R&D:**

How much time, effort, and money do you devote to new product development, or new manufacturing process innovation? Does the company have any patents or licenses?

**Plant/Manufacturing:**

How large is the plant? Is it leased or owned? What is the plant capacity? Could production be increased by 50% in the same facility? How many production people and how many people altogether are there in your company? What are the sales per employee and how does that relate to the industry average? Is the manufacturing fully integrated or is it subassembly? Who are your largest vendors and what terms do you receive on their invoicing? Do you use "just in time" (JIT) inventory and how much of your inventory is in "work-in process" (WIP)? What are the bottlenecks? Describe the quality control (QC). What is the reject rate? What are the labor rate, bonuses, benefits, and average age of the work force? (If the average is 55, it could be a problem.) What are the capital equipment needs in the next few years?

**Management:**

Describe the roles of your management team, e.g. What are your major problems and concerns? Who do you use for advisors, e.g. consultants, lawyers, accountants? As CEO, what are your strengths and shortcomings? What contractual arrangements or incentive plans do you have with the management team? Do you have a management chart?

**Financials:**

Are the financials certified? Does the company provide monthly financials? What *key benchmarks* do you use to monitor the company's progress, e.g., gross margin, inventory, inventory turnover, working capital, sales per employee? What percentage of your receivables are over 90 days? How do you handle collections? When and how do you implement price changes? Are all your major accounting functions computerized, e.g., purchases, sales, inventory? What sort of product liability does the company carry? What are your financial projections and how do you figure them out?

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*Our process is very structured, as experience has shown us that while each buyer and seller is somewhat unique, there are enough similarities that specific steps must be followed in order for transactions to close. Confidentiality is guarded throughout each step of the process.*

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