

WHAT TYPES OF BUSINESS BUYERS ARE THERE, AND WHICH WILL PAY THE MOST?

The most common type of buyer is the **financial buyer**. They don't care what type of business they buy, just that it returns the most cash flow. They bring little, if any, synergy to the deal. However, these buyers do bring financial knowledge and use it to increase the profits of the business. They generally make changes and work to increase the value in order to sell it at a profit in five to seven years. The financial buyer almost always insists on owning a majority interest of the acquired business. Because of their insistence of the financial return, they generally pay a lower price.

Another obvious type of buyer is the **businesses competitor**. This competitive buyer offers a lot of synergies that can reduce costs and perhaps increase market share – which also obviously reduces competition. However, this is a less popular type of buyer because sellers are usually reluctant to approach the competition. The flip side is the Competitive Buyer often sees less value in the deal even though they are uniquely situated to have the most success.



A **customer, vendor or supplier** is also a possible acquirer, but vertical integration is not perceived as a viable acquisition strategy today. It is a harder deal to make work because of the protections that must be employed to guard the business's confidential information.

The **overseas buyer** can be difficult to find, and usually wants to acquire larger companies. This type may look at a smaller firm if they feel that it provides an entry to the U.S. market, and will pay well for such a company. Additionally, overseas individual buyers will often acquire smaller companies just to aid with immigration issues. This type of buyer is less concerned with price.

The holy grail of business buyers, prices wise, is the **true strategic buyer**. This one is engaged in a similar or related business to the one being purchased. Generally, the strategic buyer is willing to pay the highest price since it provides a quick entry to a line of business that it does not have or access to a market area they do not have. Buying a business is much easier than trying to replicate it. Unfortunately, this is the rarest of any buyer type.

Each of these types of buyers generally have sub sets. An existing company could be any of the five types above. A private equity firm or one of their platform companies could be any of the above types as well. Individual buyers are most often financial buyers but if they have exited a competitor, customer, vendor, or supplier, they may act like strategic buyers and only be limited by what can be financed.

Alamo Corporate Group and its advisors have specialized in ownership transfers of closely held companies since the late 1980's. We offer a range of intermediary services including mergers, acquisitions, divestitures, buyer identification, management buyouts, debt restructuring and in very limited instances, acquisition searches for high net worth individuals and private equity groups.

Alamo's primary purpose is to provide an extremely confidential national service that brings buyers and sellers together through our extensive contacts in the financial and intermediary communities.

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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