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From the Desk of...

Tom Cavanagh, BCC Advisers

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Tom Cavanagh
BCC Advisers
tom@bccadvisers.com



If you own a successful business then you are likely no stranger to the thousands of private equity firms and may have even already received an inquisitive call from one today. Fortunately or unfortunately, the attention you are receiving from these firms is likely to only intensify over the next six to twelve months as firms aggressively look to deploy a surplus of funds after a slower first half of 2012 when compared to last year in terms of number of acquisitions. In 2000, private equity firms owned approximately 415 companies in the United States. That number has since grown to over 6,000 and they are still sitting on nearly \$430 billion of cash available to invest.

Despite this rise to prominence as a qualified liquidity source for business owners, private equity firms remain a mystery to many potential sellers. While many of the firms are located on the coasts, they have found success investing in Midwest-based businesses. Approximately 65 investments were made in Midwest-based companies in the second quarter of this year alone, more than any other region in the United States. Approximately 30 companies in Iowa have partnered with or sold to private equity firms. Based on almost daily calls we receive from firms around the country looking for well-run Iowa businesses, you can expect this number to rise.

As a general rule, private equity firms look for businesses with strong management teams, proven business models, recurring revenue, solid growth potential and realistic future exit options.

Potential advantages of selling to a private equity firm can include receiving some shareholder liquidity while retaining a meaningful ownership stake in the future value creation, adding experience in navigating growth and the operational challenges that ensue, and working with partners experienced in optimally positioning a business for sale down the road. That can mean a second bite at a potentially much larger apple.

Private equity firms have become a viable liquidity option and should be considered when evaluating your selling options. That being said, the way to fully take advantage of a more competitive M&A landscape and ensure you are receiving the best price and structure is to employ an effective divestiture strategy which includes creating a competitive auction for your business. As with any buyer, private equity firms will prefer to negotiate with you exclusively. You have the choice to do so or to cast a wider net to more fully explore your options. Either way, enlisting the services of a qualified team of advisors, including your attorney, accountant and investment banker will help ensure you maximize shareholder value in the sale.

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