

## Keys to Selling your ARM Firm for Maximum Value (Part 1 of 2)

“What can I do today to ensure top dollar when I sell down the road?” Most owners ask themselves this question, and understandably so. Every day, we speak with buyers interested in Accounts Receivable Management (“ARM”) firms, and we’ve learned a few things we’d like to share that are specific to selling an ARM firm in today’s market environment.

We offer this brief list as a starting point for discussion because, as we see it, the more you know and the sooner you know it, the better you’ll fare in a sale.

**Stellar Management with Proper Incentives.** Whether senior management includes shareholders or not, the key is having outstanding managers that will remain post-transaction and making sure they are correctly incentivized to perform after a deal closes. A great team will attract many buyers willing to pay top dollar for the company. Of course, good managers are hard to find, so we suggest starting the search now. Having well-aligned incentives in place that benefit both buyer and seller is just as critical, such as deal-linked, integration-linked, and/or performance-linked bonuses, payable at defined points after the closing. Reluctant or unhappy managers have been known to derail a transaction and/or integration, so be sure to set their incentives accordingly.

**Extensive Compliance Infrastructure.** Buyers, like clients, can be concerned about “headline risk”. With increased pressures from clients, regulators, and attorneys targeting the ARM industry, it is only a matter of time before non-compliant ARM firms lose streams of business, entire clients, or face major lawsuits from government or other entities. As a result, more than ever, it is vital to invest into compliance systems and infrastructure to create, and maintain, a tight ship. In the long-run, firms with a proven track record of compliance will benefit by gaining increased market share, new clients, and consequently, higher valuations.

**Robust Technology and Analytics.** In-depth analytics have become essential for ARM executives to understand which new business to accept, and to make informed operational decisions regarding resource allocation. Having the ability to track the right metrics drives profitability and value enhancement as successful ARM firms take a more data-centric, quantitative approach to operations management. In lockstep with this is the importance of technology to enable this analysis and to drive further efficiencies. Even if older systems have worked fine to-date, the latest collection technology offers many improvements to better address today’s increased focus on compliance, data security, and custom reporting, and it does so while creating new capabilities.

**Optimal Timing.** It really is everything. The best time for a sale is when circumstances are ideal in each of the following aspects: Business, Personal, and Economic. It’s rare, however, for all of these to line up simultaneously. For example, while an owner may be *personally* ready to sell, the *business* may not be performing at its best, or if the *business* is performing well, the financing *market* for M&A deals may not be strong, and so on. The fact is, people sell when they want to sell, or in some cases, when they need to sell. The more of these factors that line up, the better. In today’s M&A market, strategic and financial buyers are actively seeking ARM acquisitions, and just as important, deal financing is available to them to complete good deals.

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# ARM Intel

## Keys to Selling your ARM Firm for Maximum Value (Part 1 of 2 cont.)

We encourage clients to take a proactive, thoughtful, long-term approach when considering the sale of their firm. Financial performance is always important, however, the sustainability of good financial performance is often based upon many of the factors we've touched on. These factors, if optimized, would support a great deal for the seller, and a great company for the buyer. As the old (and still true) saying goes, the only right price is the one that a buyer is willing to pay and a seller is willing to accept. In Part 2 of this topic, due out in 2Q 2011, we'll describe additional factors that contribute to maximizing the value of an ARM firm.

*You might be interested to know: We offer a service that can help you make informed, fact-based decisions regarding the sale of your firm. As the most active M&A advisory firm in ARM, we know what matters in M&A transactions. In our **Strategic Valuation Analysis**, you'll get the benefit of our objective feedback as we review your firm exactly as a buyer would, and provide you with a detailed breakdown that describes the market for your firm, to include:*

- *Data-driven analysis of the recent M&A market for firms comparable to yours (similar size, services, and/or focus)*
  - *Valuations paid*
  - *Deal structures utilized*
  - *Buyers active in the market*
- *Specific to your firm, our experienced opinion of what we expect if you were to sell today*
  - *Deal valuation and structure(s) most likely*
  - *Deal structure elements that can improve your firm's value*
  - *Analysis of value drivers and detractors, including ways to increase your firm's valuation*
  - *Buyer types and examples that are most likely to be interested*
  - *Recommendation for the best approach to maximize value and terms*
  - *Identification of any challenges anticipated*
  - *Review of strategic growth and/or exit alternatives, based on*
    - *Your goals*
    - *Your firm's current position and offerings*
    - *The current M&A and ARM markets, and future expectations*
  - *Recommendation for the best possible timing for a sale of your firm, given your goals in conjunction with the components examined above*

*If you're currently in discussions with a buyer, and would like us to assess the offer relative to today's market for value, terms and structure, we can include that as part of a Strategic Valuation Analysis.*

***To confidentially discuss the Strategic Valuation Analysis or our other services, please call or email us.***

Contact us at 301-576-4000

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