



# Tips for Selling Your Business in 2024

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On November 1, 2022, SmithAmundsen and Davis I Kuelthau formally combined to form Amundsen Davis, LLC, a full service business and litigation law firm helping clients across the U.S.

# Why Sell Your Business?

- Ready to retire.
- Conflicts with family members or partners.
- Need to affiliate with larger strategic buyer.
- Good market environment for higher sale prices (e.g., excellent multiples).



# Is Now A Good Time To Sell?



- Interest rates are expected to decline.
  - The Federal Reserve's newly released Summary of Economic Projections raised the possibility of three interest rate cuts in 2024.
  - Investment bank UBS expects rate cuts to begin in March, and it expects the Fed to cut interest rates by a whopping 275 basis points, or 2.75%. (See <https://www.ubs.com/global/en/media/display-page-ndp/en-20231116-cio-2024.html?caasID=CAAS-ActivityStream>) .

# Is Now A Good Time To Sell? (Con'd)



- M&A activity has declined in 2022 and 2023, but is expected to increase in 2024.
  - According to the latest *EY CEO Outlook Pulse Survey*, 98% of CEOs plan to pursue a strategic transaction in the next 12 months – last January, the number was at 89%.
  - After a slow start in 2023, deal activity and flow appear to be stabilizing and are likely to grow at a steady pace in 2024.
  - Small to midsize M&A deals are on the rise as valuations reset.
  - Cross-border M&A deals are becoming more popular for growth-focused companies.

# Is Now A Good Time To Sell? (Con'd)



- A lot of private equity money on sideline.
  - PE firms are sitting on a record amount of dry powder, which will likely spur M&A opportunities in the near future.
    - Capital waiting to be deployed in the private equity market, or so-called dry power, rose 8% to a record \$2.59 trillion in the past year, S&P said on December 9, 2023.
      - Apollo Global Management Inc. (APO) leads the list with \$55.1 billion in dry powder, followed by \$43.2 billion for KKR & Co. (KKR), \$39.44 billion for CVC Capital Partners and \$30.9 billion for Ardian, Blackstone Group Inc. (BX) ranks fourth with \$29 billion in dry powder, followed by \$27 billion for Carlyle Group Inc. (CG), \$24.2 billion for Clayton, Dubilier & Rice LLC, \$24 billion for Hellman & Friedman LLC and \$23 billion for TPG Inc. (TPG).
- Good, profitable companies will be in great demand.

# How Will Your Business Be Valued?



- Multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).
- Comparable Companies (Public Company Comparables).
- Discounted Cash Flow.
- Comparable Transactions.

# Sale Process

- Letter of Intent (Non-binding).
- Due Diligence (30 – 60 days).
- Purchase Agreement.
- Ancillary Agreements (e.g., Employment Agreements, Non-Compete and Non-Solicitation Agreements).



# Representations And Warranties

- Organization.
- No conflict with other documents.
- Good title.
- Financial statements.
- Intellectual property.
- Privacy.
- Employees and employee benefits.
- Compliance with laws.





# Disclosure Schedules



- As a seller, disclosure is your friend.
- Disclosure schedules provide details and exceptions to the representations and warranties.
- Disclosure schedules take a lot of work to put together.
- Disclosure Schedules are a team effort involving you, attorneys, accountants, and brokers.

# Working With A Broker

- A good broker can be an invaluable asset.
- Have the Broker Agreement reviewed by a lawyer.
- All broker fees are negotiable.
- Differentiate carefully between your leads and the brokers' leads.
- Carefully consider the “tail” provisions.



# Tips For Sellers



- Don't be or appear to be a desperate seller.
- Good planning and teamwork will make transaction less arduous.
- Limit the ability of the buyer to come back to you with indemnification claims for money post-closing.
- Limit the indemnification hold-back from purchase price.

# Tips For Sellers(Con'd)

- Basket or deductible.
- Consider representation and warranty insurance.
- Work with your attorneys through the difficult deal points.
- Avoid deal fatigue.





Thank you for joining us!

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