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What Buyers look for in a Staffing Firm Acquisition!

1. High Growth Rates
2. High Gross Margins
3. Major or Growing Market
4. Strong Market Position/Reputation
5. Diverse, Long-term and Stable Customer Base
6. Multiple Offices
7. Size in terms of annual sales volume
8. Good Management
9. Employees rather than independent Contractors
10. Sub-Chapter "S" Corps. Or LLC's
11. Good Insurance & Legal History and good Record Keeping
12. More Contract/Temp staffing vs. Perm/Search Revenue

Why Buyers Buy

1. To more fully meet customer needs

2. To gain administrative efficiencies

3. Use size to make their services more appealing

4. Increase Global Reach

5. Enter or expand Specialty or Niche Service areas

6. To enhance one-stop Shopping

7. To increase margins

8. To increase Market Share

9. To acquire Management Talent

10. To enter or expand Geographic Market Penetration

Staffing Industry Specific Factors Influencing a Multiple

(1) Profitability and growth rates
(2) Marketplace
(3) Market position
(4) Business mix
(5) Customer concentration
(6) Depth of management
(7) Good record keeping
(8) Size and number of office locations
(9) Legal / insurance issues
(10) Maintaining earnings growth

Preparing for a Sale of your Business

1. Ensure that your financials are clean and clear, preferably audited or reviewed and easy for potential buyers to read.

2. Analyze the tax consequences of the sale in advance of going on the market. Can you sell assets or do you need to sell stock?

3. Make sure that you have employment agreements with your key staff members, preferably with a non-compete, which can be transferred to the new owner.

4. Strong, healthy companies will always be in high demand. If there is room for improvement in your firm, now is the time to make changes to enhance your future.

5. Limit your attorney's participation to the legal aspects of the sale. The attorney's job is to protect you legally, not run the deal. Attorneys are often more accustomed to win/lose transactions than dealing with the win-win approach needed with a prospective partner; some can set the wrong tone for negotiations.

6. Choose the correct method of valuing the business. Make sure all normal and accepted pro forma adjustments are included in your adjusted earnings. Consult an expert in the field, if needed.

7. Price your business in realistic terms. If an offer sounds too good to be true, it probably needs close examination to avoid the hidden pitfalls.

8. Continue to operate your business until your deal is closed; be careful to keep your eye on your key performance ratios.

“Broker your deal

Most people consult a professional when buying or selling a home; but when the transaction involves a business, many go it alone. Given the complexities and work involved, you have to wonder why.

A good business broker can market a business confidentially with minimal intrusion. The broker’s duties include: determining market value, advertising, fielding responses, qualifying buyers, and negotiating and structuring the deal.

The goal is to balance the interests of buyer and seller, leading to a win-win situation.

It’s important to select the right broker and to determine the exact services provided. Someone who has experience in your industry and has worked with companies of similar size is best”.

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