

# The DEAL GURU

## *Beat Dolder*



### *How Internet platforms augment deal prices*

**In the sale** of a company, Internet platforms are playing an increasingly important role. Applied properly, the expansion of the global network, and the transparency gained, result in deals concluded with better conditions. Entrepreneurs and their advisors can use these new tools to achieve the goals they share in common: increasing the probability of concluding a deal, and optimizing the price.

#### **Of old chairs and transparency**

Several years ago, my wife inherited a wooden chair with an embroidered seat and backrest. It didn't really correspond to our idea of comfort or design, so we put it away in storage in the cellar. A few years later, in the midst of a campaign to clear out some of our old things, we decided to sell the chair.

At the local flea market, with a bit of luck and half a day's patience, we might have scored perhaps 50 Euros for this chair. But before we did that, I wanted to test a different marketplace first: I published a description of the chair with a photo on the Internet, on E-bay. Over the next 14 days, a few interested parties continued to outbid each other for the chair, and it eventually went for 520 Euros to a buyer from Germany. He even came and picked it up.

Thanks to publishing the information on the Internet, we were able to achieve a

healthy multiple of our original price expectation, and also reduced the amount of time we had to spend on the effort.

Scattered all over the world, there are people who are looking for, or collecting, very specific items. Perhaps one or another of them is missing only one very specific piece to complete his collection. He would even be willing to pay a higher strategic price for that item than someone who is just starting his collection.

If I want to sell a chair as a one-off event, I lack the basic knowledge about potential buyers and their current needs. It would be too time-consuming for me to determine who might be interested in these chairs. Even with intensive research, I would not have come up with the address of the man who ultimately bought the chair. And even if I did, without an auction I would have achieved a lower price, and would probably have had to deliver it myself.

Agreed, a chair is not something as confidential and valuable as a business or personal relationship.

#### **Finding your partner online**

According to a representative online survey in Switzerland (parship.ch / July 2010), 60% of the respondents agree that the Internet is an acceptable way to meet a partner today.

Half of the singles say that they have visited an online dating site, and 14.4 percent met their partners on a digital network. We all know that the search for the right partner is time-consuming and fraught with setbacks and missteps. When it comes to the search for a partner, the Internet provides both the transparency and efficiency that are needed.

So if something as personal as the online search for a partner can enjoy such a wide degree of acceptance, and moreover yields more efficient results than the conventional approaches (going out, tapping into one's circle of friends, looking among colleagues at work), then this medium is also suitable for companies.

#### **The needle in the haystack**

Thanks to globalization, the catchment area encompassing the interested buyers for a company has been greatly extended. Transactions have become more international even for medium-sized companies. M&A advisors usually look for the names of potential buyers within the value chain (suppliers, competitors, customers), the market, and the technological field of their client. In this process, the Internet, databases, catalogues, directories, personal contacts, etc. all yield the necessary results. This work is indispensable and quite time-consuming, and yet it still does not identify all the eligible candidates: The advisor cannot

be familiar with the strategies of every single market participant. How could a company advising an Austrian tunnel builder know that a Swedish construction company would like to acquire a tunnel builder in Austria, if they do not make this intention public? What is missing is the necessary transparency.

### Getting over prejudices

As with our chair, so it goes with the sale of a company: The more high-quality prospects you are able to address and engage in an auction, the higher is the probability of concluding a deal, and the more advantageous the conditions will be for the seller.

As before, advisors should carry out research and contact potential buyers directly. Complementing this activity, however, advisors can also present the company to be sold anonymously, e.g. on the Internet platform [www.dealgate.com](http://www.dealgate.com). Here, companies are described in such a way that they are not even identifiable by industry insiders. Advisors already do this today by sending out teasers.

There are advisors who distribute lists of their current transactions, or publish them on their website. This is a first step towards transparency, but it isn't confidential enough: Such lists are not searchable and they don't report relevant news such as an Internet platform can do. The lists can also be forwarded, and the website can be viewed by anyone.

Transparency is a current mega-trend (see Wikileaks, Facebook, LinkedIn, etc.). Nevertheless, as a user I want to decide for myself how much information I will make available, to whom, and at what time. There are platforms everyone has access to. This

degree of transparency is not recommended for businesses.

On DEALGATE, only M&A professionals who meet certain quality criteria are admitted as members. On this site, the blind profile of a company is only available to be seen by previously defined member groups. This system is more confidential than sending short profiles.

### Using the tools intelligently

In the case of our chair, a lower selling price would not have been a financial drama.

For an entrepreneur, however, a large portion of his wealth is tied up in his own company. He sells this company once in his life. The proceeds of the sale can make a difference in how his retirement is financed, as well as in the prosperity of his descendants.

Advisors are also interested in achieving the best possible selling price. That is why they should also use the latest online price optimization tools.

About the author: Beat Dolder has worked for over twenty years in corporate finance and M&A. He is the founder and chairman of Dolder Corporate Finance ([www.doldercf.ch](http://www.doldercf.ch)) and Dealgate AG ([www.dealgate.com](http://www.dealgate.com)).

### **DOLDER Corporate Finance**

Seestrasse 99a  
CH-8702 Zollikon  
Office +41 (0) 44 918 04 80  
Mobile +41 (0) 79 431 94 64  
[dolder@doldercf.ch](mailto:dolder@doldercf.ch)  
[www.doldercf.ch](http://www.doldercf.ch)