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Selling Means More Than Just Money

By Adam Burroughs On March 17, 2023

Oftentimes when a company is doing a big capital raise, it most likely will need to give up equity in the deal. Marcum LLP Senior Partner Greg Skoda, who's been an entrepreneur and has assisted with many M&A deals, says when counseling clients to evaluate that step, the first question to ask is how much and for what.

"If I'm giving up equity, or if our clients are going to give up equity, or we've done it in any of our businesses where we've gone down that path, what's the other side look like? Money is just money and we can find money any place," Skoda says. "And there's an awful lot of it out there. In the last 10-15 years, even with the lumpiness of what's going on today, there's money in an awful lot of places to go get. We would not focus on giving up equity in any of our businesses for just money. In the types of things that we're trying to build, there better be something strategic about where that money is coming from and something that we're going to do with it."

For example, the seller should know what other relationships the buyer can walk the business into — those could be acquisition or operational candidates, or other equity candidates. Whatever it might be, he says the seller needs to get something back that's more than just dollars.

"Certainly, across our client base, we've seen some really interesting things that people have gotten back. And our business there are interesting things that we've gotten back. But if I think back to the first time we raise capital for us in a serious way it was when we co-founded CBIZ," he says. "We knew an awful lot about the accounting industry, we knew an awful lot about the insurance industry at the time and that was really the original formation of that. We didn't have a clue about how to buy businesses, for the most part. And something that was important to us, if we were going to grow and we were going to go rapidly, was there an acquisition pipeline? We had to create an acquisition pipeline. In the accounting space alone there's like 45,000 accounting firms in the United States and 44,900 of them are smaller than $30 million in revenue. So, there was this huge addressable market that we could go get. So we put that story together and we went and found some capital"

Finding people to bring into the business who had done many acquisitions was the missing piece.

"Somebody who had been there and done it before and could show us how to take that addressable market and go after it, get it and make it happen, and they brought us capital," Skoda says. "That was a huge advantage for us in the early stage and that really is what made that opportunity possible."

Companies can accelerate their growth when their capital partners bring something other than money to a deal — customers, vendors, relationships — which can have a huge impact on a business.

"You're marrying a lot more than just money," he says. "And so, what is it? Where is it? How can we get it? We don't want to give up any more than we need to give up. And we may want the opportunity to earn more back. And so, we've got to build a transaction that if we do X we can get more back, but there's got to be something else other than just the money part of it."