Why would someone buy control of your company?

What is the purpose of this article?
Enable company owners or equity investors to discuss why someone would buy control of the company and the company's value.

What are the critical learnings in this article?
1) Control buyers are different from ordinary equity investors.
2) There are different types of control buyers and different types of value they are seeking.
3) You must understand how a control buyer perceives your company relative to who the buyer sees as your competitors.

What is the difference between buying control and being an investor?
A common difference is that:
1) An investor may vote for board directors.
2) A control buyer may be able to elect or appoint a number of board directors, remove directors, and may have other decision rights.

What are the seven different types of control buyers?
1) Owner/operator;
2) Current CEO/Management Team;
3) Future CEO/Management Team;
4) Buyer who wants a steady stream of future income;
5) Buyer who wants to significantly grow the value of their investment by growing your company;
6) Buyer who will merge your company into their company;
7) Buyer who only values your assets e.g. Intellectual property, talent, technology, etc;

A control buyer may be a blend of different types

What are the exit options for each type of control buyer?
1) In types 1 to 7 above, sell to another control buyer or group of buyers. 6) and 7) would be a divesture.
2) In types 1 to 6 above, there may be the option of going public.

What is the value each control buyer is seeking?
1) A type 1 buyer may want to increase the value of their investment and/or support their lifestyle using compensation, dividends, and covering other out-of-pocket costs.
2) Type 2-5 buyers typically want some combination of income and increasing value of their investment.
3) Type 6-7 buyers want to increase the value of the company doing the acquisition. The acquired business and/or assets fills gaps in the company's value creation plan. E.g. talent, customer relationships, sales and marketing channels, intellectual property, technology, etc.

What are your next steps?
1) Identify the type(s) of control buyer(s) who might be interested in your company and who you might consider selling to
2) For each type of buyer, outline their evaluation criteria and related due diligence process.
3) Analyze the value of your company from the control buyer's perspective. Use their evaluation criteria and due diligence process.
4) Assess competitors using the same evaluation criteria and due diligence process.
5) Rank the potential acquisitions from the perspective of the control buyer.
6) Determine the costs and benefits of becoming the preferred company for the control buyer.