

# Five Proven Strategies For Selling Your Company Successfully



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Kerry Boulton is Australia's most respected Exit Strategy Advisor and CEO of the Exit Strategy Group. Welcome to this week's segment.

**KERRY BOULTON:** Do you remember the news from 2014 when Facebook acquired the internet messaging service WhatsApp for \$19 billion? It represented the largest ever acquisition of an internet company in history. Now, I don't know whether you're a user of WhatsApp, I certainly am, and it's a real pearl that's for sure.

You know, it allows you to use the internet to avoid text messaging charges by sending text across the Internet and instead of the mobile phone carrier networks, and it can save people who travel or who live in some of the more emerging markets hundreds of hundreds of dollars a year. Which is why WhatsApp is adding about a million new users per day per day.

At the time of the acquisition in 2014, WhatsApp had some, I think it was about 450 million users, and their business model is simply to charge a subscription of \$1 a year after their first full year of service, even if all 450 million WhatsApp users were already paying and they weren't, that's still less than half a billion in revenue.

So why the heck would Facebook buy WhatsApp for a number that is somewhere north of 40 times revenue, let alone bottom line? Nobody knows. Who knows for sure what's in Mark Zuckerberg head, but you know what he's a very clever man, as we all know. We can only assume that you know at least part of the opportunity that Facebook sees is the opportunity to sell more Facebook ads because of the information that they glean from WhatsApp uses.

There's a global advertising group called Publicis, and they've been estimating that online advertising spending in the US alone, back in 2013 was around \$500 billion. Can you imagine what it is today? And presumably Facebook believes that they could get a much larger chunk of the global online adbi, because they know more about its users by owning WhatsApp.

Of course, there's also the theory that Zuckerberg was looking for a payment platform of some kind for Facebook, which is, course, WhatsApp already has integrated, and therein lies the definition of a strategic acquisition. Most acquisitions run a very predictable pattern of industry norms, but a strategic acquisition can pay a significant premium for your business because they're looking at your business for what it is worth in their hands.

In their hands, rather than forecasting your future profits and using discounted cash flow method, in other words, estimating what that cash is worth in today's dollars. A strategic buyer is calculating the economic benefit to them of grafting your business onto theirs. There can be many, many strategic reasons a big company might want to buy yours.

So here are just a few to consider. And I'm going to give you some examples, which are largely from the US market, because they illustrate the big, big numbers. Number one, to control their supply chain. In 2011 Starbucks announced it had acquired evolution fresh, one of their providers of juice drinks, for \$13 million now, Starbucks is no longer beholden to one of its suppliers. They controlled their supply chain.

Number two, to give their sales people something else in their briefcase. Also in 2011, AOL announced the acquisition of the Huffington Post for \$315 million even though Huffington Post had just turned its first modest profit, very modest profit on paper. AOL wanted to give its advertising sales people more inventory to sell and have the Huffington Post had 26 million unique visitors a month.

Number three to make their cash cow product looks sexier. Microsoft bought Skype for \$8.5 billion even though Skype was losing money, the good folks at Microsoft must have assumed they could sell more Windows, Office, Xbox, etc, by integrating Skype into everything that they sell.

Number four, to enter a new geographic market, Herman Miller paid \$50 million to acquire China's posh office systems in order to get a beachhead into the world's fastest growing market for office furniture.

Number five, to get hold of your employees. Facebook reportedly acquired internet start-up hot potato for ten million largely to get hold of the talented developers working at the company. You know, most acquisitions are done for rational reasons, where a buyer agrees to pay today for the rights to your future stream of cash.

That's what a financial sale is all about. However, you may be able to get a significant premium for your company if you can figure out how much it's worth in someone else's hands and really position your business to be attractive to that strategic buyer.

If you're curious to understand and see what your business is worth and how you might improve its value to both strategic and financial buyers, just send an email to info at theexitstrategygroup.com.au, and we'll send you a link to complete a value builder questionnaire which will give you your score on the key value drivers in your company.

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