

“WHAT TO EXPECT WHEN WORKING WITH A MERGER & ACQUISITION PROFESSIONAL”

by Eric R. Voth

A TOUGH DECISION

Selling or merging a company is the biggest and toughest single business decision an entrepreneur will make. And making the decision to take action is only the beginning of a long, complicated, often emotional process, each step of which is critical to a successful end. It's also a one-shot deal that many owners simply aren't prepared for. You rarely see a major corporation enter into merger and acquisition activity without solid professional representation. Do you deserve any less? Having your own professional advisor to guide you through the process may be your wisest strategy for obtaining the best deal -- and price.

THE ROLE OF YOUR SELLING PROFESSIONAL

The official title of this advisor is “Intermediary,” although in practice this person is a merger and acquisition consultant or facilitator. An Intermediary will be the person who will find the right buyer or merger partner for you. He will be involved in the process of helping you value your business, evaluating potential suitors, negotiating the terms, and properly structuring the deal in your best interest.

Your relationship with a professional Intermediary will probably begin with a preliminary meeting. The purpose of this decision-making visit is to mutually agree as to the suitability of your company to participate in a sale, merger or acquisition process. You'll be expected to reserve two to four hours of quality, uninterrupted time for this meeting.

VITAL INFORMATION NEEDED

The following information needs to be prepared

in advance and be available at the meeting. It will allow the Intermediary to properly assess your project.

- Financial Statements for a minimum of 3 years, plus any current interim statements.
- An organization chart of key people.
- A list of family members active in business and a description of their duties.
- A list of all your recurring expenses, including inactive family members on your payroll.
- An asset list with depreciation schedule.
- Names of three primary customers and percentage each contributes to your company's annual sales volume.
- Names of two competitors who are of a size similar to your company.
- Names of two competitors who are industry leaders.
- Company literature such as advertising, brochures, flyers, public relations tools, and trade journal or news articles.
- Names of industry publications to which you subscribe.
- Names of trade associations in your industry.
- Names, addresses, and phone numbers of your outside accounting firm and corporate legal counsel.
- Any additional information about your Company that you feel would be helpful.

During this meeting, your Intermediary will review all of these materials with you. Plan to discuss your company's past, present and future, as well as all positive and negative issues. You need to talk about your personal agenda in detail, especially your future plans.

If it's appropriate, your Intermediary will want to tour your facility and meet with all of the

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participants involved in your decision to sell or merge.

The meeting will end with you and the Intermediary reaching a decision regarding your continued relationship. If his decision is negative, he will explain why.

ENGAGING A PROFESSIONAL

If his decision is positive and you both mutually agree to move forward, the Intermediary will explain what services he provides and present you with a Letter of Engagement or Employment Agreement. Some merger and acquisition advisors are paid a success fee when the deal closes and nothing but out-of-pocket expenses if it doesn't. The fee is usually a percentage of the total selling price. Others may charge an hourly fee; still others may charge on a project basis.

He will ask you to send all materials listed above to his office via next-day delivery, along with a signed copy of his Letter of Engagement or Employment Agreement. After he receives it, he will begin telephone interviews with you to discuss additional strategies and to collect further information.

CONFIDENTIALLY EVALUATING YOUR COMPANY

His first order of business is the preparation of a confidential evaluation of your business -- used as an in-house working tool only -- highlighting the key information needed to obtain the most favorable deal for you. This evaluation will include:

- The strengths of your business and how to maximize them.
- The earnings potential of the business, based on an in-depth analysis of the market.
- The fair market value of your business.

This evaluation will be for your eyes only, so you can begin to see your business through the view of a potential buyer. Later, as your relationship with the Intermediary develops -- and as you begin to focus on specifics of the deal -- other evaluations will be

prepared and shared with the prospective buyer.

A good Intermediary knows how to research your specific industry as well as related industries to determine who is "right" as a buyer or merger partner. He will screen potential candidates to ensure that they are suitable and qualified -- both professionally and financially -- to look at your deal. He will weed out "tire kickers" that may have no professional expertise or financial wherewithal to finalize a deal.

EXPECTATIONS YOUR ADVISOR HAS OF YOU

Most advisors will want to know what they can expect from you in return for their services. Be sure to let them know your plans to:

- Be honest and open about every fact concerning your business situation, whether favorable or unfavorable.
- Be prepared for all of your meetings, bringing the necessary information, documents, questions and answers.
- Adhere to deadlines, especially when certain information is required by a certain date.
- Be open about any dissatisfaction you may have with the work of any advisor.

CONCLUSION

A good Intermediary will be able to advise you on most aspects of the sale or merger of your business. This includes the valuation, marketing strategies, economic conditions impacting the sales climate, evaluating potential buyers, negotiating the terms, and properly structuring the deal. When selling your company, the services of a skilled Intermediary are equally important as those of a competent Attorney, Accountant and Tax Advisor. Engaging an Intermediary may be your wisest strategy for obtaining the best possible deal and price.