

TRANSACTION PREPARATION (1 MONTH)

When it's finally time to move forward with a transaction, your advisor is instrumental in the preparation of key materials and the actual logistics of the transaction.

- I. **Preparation of Marketing Materials** One of the most important M&A documents your advisor will prepare is the executive summary of your business, also known as the teaser.

The teaser is how your advisor will pitch your business to prospective buyers, summarizing your transaction goals as well as high-level highlights about your business' financial and operational performance, industry and market position, management team, competitive advantages, and any other differentiators.

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Private equity buyers and experienced corporate acquirers typically review hundreds if not thousands of teasers every year, so the teaser is a critical opportunity to make a strong first impression.

In addition to the teaser, your advisor will prepare a more comprehensive confidential information memorandum (CIM) and detailed financial statements for buyers who express initial interest in learning more about your company. These later documents will help the buyer evaluate if they want to move on in the process and meet you and your management team. Lacking these necessary documents may cause many potential buyers to not even consider your business.

- II. **Building a Buyer List**

During this stage of the process, many advisors will also begin compiling a prospective buyer list. Your advisor's transaction experience and industry expertise will play a large role in their ability to build a diverse buyer list that not only helps maximize your potential valuation, but also enables you to achieve your non-valuation transactional goals.

Advisors will rely on their existing network of financial and strategic buyers, tools like Axial, and your own knowledge of potential acquirers to compile the list. Building the ultimate buyer list is part art and part science, and a qualified advisor can help you identify the most likely buyers for your business from among the thousands that may potentially be interested. As the list is being finalized, you and your advisor will review it to ensure you are comfortable with all of the buyers on the list and prioritize the list in tiers that the advisor uses to stagger their outreach. Some advisors may also recommend "pre-

marketing” the transaction at this point, where they may contact a handful of buyer contacts at the top of your list with whom they have long-standing relationships.

THE TRANSACTION (2-6 MONTHS)

III. Going to Market

The actual transaction process kicks off with your advisor “taking your company to market.” This simply means that they begin the process of reaching out to potential buyers, and gauging their level of interest in your business. The initial outreach typically maintains your confidentiality, as the teaser is usually blind and does not disclose the identity of your business. This stage of the process is often broken down into multiple waves, as your advisor might first reach out to strategics (who typically take longer to respond with interest) and other buyers in the top tier of your buyer list. Buyers interested in learning more about your business will sign a non-disclosure agreement (NDA) and request the CIM.

IV. Narrowing Down Candidates

As various buyers confirm their interest or withdraw from the transaction, your advisor will help you navigate the process of narrowing down buyer candidates. At this point you should expect to meet potential buyers in-person (known as “management meetings”). As the process progresses you should also begin receiving IOIs (indications of interest) and LOIs (letters of intent). IOIs are informal letters confirming a buyer’s intent to purchase a company and usually include valuation guidelines, transaction structure and other terms, due diligence expectations, and a timeframe for closing. LOIs are more formal, legally-binding agreements that serve as a precursor to the purchase agreement and describes the proposed transaction in more detail. The execution of an LOI almost always gives that buyer an exclusive period during which to conduct final due diligence before the transaction closes.

V. Negotiation and Final Due Diligence

If you’ve managed to generate interest from multiple buyers, your advisor has done a great job so far. However, their job is far from complete — they will continue to negotiating the final agreement. Remember that price isn’t the only important consideration, and your advisor can help you evaluate the other important considerations in the LOI. Your advisor’s ability to negotiate on your behalf can not only come in handy because of their experience in leveraging buyers against one another for the best terms, but also because they serve as a buffer to prevent any hard feelings in the negotiation process from affecting your relationship with the buyer post-sale.

Once you sign an LOI, your advisor will also be responsible for ensuring a seamless due diligence process. Depending on whether you have an existing relationship with an M&A lawyer, they may also help you round out your “deal team” as you finalize the purchase agreement and close the transaction.

Peace of Mind

Ultimately your advisor is able to add a tremendous amount of value to your transaction through their experience and expertise. As much as they are responsible for running your process as a trusted partner and advisor, however, they’re also here to make sure that you can stay focused on running your business and not let the transaction become a distraction that

negatively impacts business performance during such a critical period.

For transactions involving highly complex family or shareholder dynamics, your advisor can also serve as objective, third-party counsel that helps your business make decisions that maximizes a successful outcome for all stakeholders.

As you contemplate the role that an M&A advisor will play in your company's sale and the return on investment from retaining one, consider too the added peace of mind from being represented by someone you will come to trust with one of your most prized assets.

Adapted from [The Complete Guide to Middle Market M&A in 2014](#)