

Upcoming
Events

Finance & Economic Update
November 15, 2016
11:30 AM to 2:30 PM
University Club
Chicago, Illinois

Private Equity Connection
December 6, 2016
12:00 PM to 5:00 PM
Milwaukee Athletic Club
Milwaukee, Wisconsin

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MBBI Newsletter November 2016
Putting Together the Deal Team

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GP Ventures

Remember the old saying, "He who represents himself has a fool for a client". While many owners might be tempted to go it alone, in my experience it pays to have a deal team to help prepare a company (and the owner) for a sale. A good team helps increase valuation, gets better terms, and helps ensure a smooth and quick process. A typical deal team would consist of the following:

M&A Attorney

It is critical to engage a law firm that has experience completing deals, and that has enough depth to handle all of the paperwork involved. The firm should start by preparing the company for sale. For example, reviewing contracts and employment agreements, making sure records are in order, and discussing the right type of deal for the company. This will help to eliminate any surprises down the road. The firm should be able to cover estate, tax, HR, and other legal sectors. A 'deal attorney' is important to getting a deal done quickly and smoothly. An owner may have been working with an attorney for 40 years and has built up trust, but if that attorney does not have experience in M&A or does not have a team to back them up, it can slow down the deal or even put it in jeopardy.

CPA Firm

Similar to the law firm, the CPA firm should have experience completing M&A deals. It is recommended to have reviewed or audited financials for the past 3 years before going to market. Reporting should be smooth and quick, with few adjustments, and the company should be able to respond to questions and requests for financial information quickly. Either the CPA firm or a financial consultant can help the company get prepared for due diligence. Completing much of the data room in advance can help the deal go more quickly, and helps to ensure that there are fewer surprises during due diligence. The CPA firm should be familiar with tax, estate, and M&A issues.

Wealth Advisor

An experienced wealth advisor can help the owner plan for life after selling the business, as well as determine what type of deal would be advantageous. While the investment banker will work to sell the company for the highest value possible, it is helpful to know the overall needs of the owner. A wealth advisor can take a big picture viewpoint of the owner's assets, not only the company but real estate, other holdings, retirement savings, etc., and also work with the owner to determine how to use the proceeds of the sale (trusts, charity, travel, spending during retirement, etc.) and to plan for taxes.

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Investment Banker

An experienced investment banker can position the company well, contact the right buyers, stoke competition among buyers, answer questions and negotiate offers, and coordinate the deal through due diligence and closing. Before going to market, the investment banker can help determine the owner's goals, the value and marketability of the company, potential risks and strong points of the business, and help prepare the company for marketing and due diligence. Experienced buyers usually like to see that an investment banker is involved, as this is a good sign that the owner truly is serious about selling, is prepared, and has reasonable expectations of value and terms. The investment bank has been through many deals, the buyer usually has been through many deals, but the seller probably has not sold a business before. You need experienced professionals on your side to help you through all aspects of the process.

Other advisors

Depending on some of the issues that arise while preparing the company for sale, a variety of advisors may be utilized to help resolve those issues. For example, environmental, IP/patent attorneys, and other consultants can provide help in their areas of expertise. There are a growing number of Exit Planning Advisors who can help coordinate the whole preparation process, especially if the business requires several months of preparation before going to market. If there are significant issues with the business that would prevent a sale or would limit the number of interested buyers, it is best to take the time to remedy those issues.

Key Employees

Many owners are hesitant to involve their employees, however, confiding in at least a few key employees can certainly help the entire process. Key employees must be trusted to maintain confidentiality, and they can be critical in helping to prepare the company for a sale. Buyers prefer to have the chance to meet with the management team as early as possible, but at least during due diligence. Employees often know the company as well as or better than the owner, and they typically know how to gather data better than the owner. All companies and situations are different, so the owner must consider the options carefully. One of the risks of involving key employees is that they will put their resume on the street, however, it may be better if they depart earlier rather than at a late stage of the process.

Conclusion

The right team works together to prepare the company for the process. It is never too early to start preparing for the sale of a company. When putting together a deal team, the earlier the better, not only to be ready for a sale, but to develop trust and teamwork among the team. While it takes time, energy, and money to assemble the deal team, this investment should pay off in better valuation and terms, a smoother and quicker process, and fewer surprises during the course of the deal.

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