

Shaking The Money Tree

Marketing the Deal



DYNASTY

Mergers & Acquisitions Consultants Inc.

Marketing The Deal

Finding the Right Prospects

Promoting Under the Radar

Management of Information



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Finding the Right Prospects

- Management Buy-Out (MBO)
- Strategic Buyers (Competitors)
- Financial Buyers (Venture Capitalists)
- Entrepreneurial Buyers



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Management Buy-Outs

- Keep initial pool quite small
 - Typically top handful of key managers only
- Flush out available cash early
 - Are they prepared to risk their own cash?
- Set up meeting with financiers
 - Probably Mezzanine Financing community



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Management Buy-Outs (Continued)

- Don't release financial information until financing has been confirmed
- Be VERY careful with MBOs!
 - If the deal falls apart, it may be difficult to maintain motivation and commitment from management



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Strategic Buyers

- Typically competitors are greatest strategic fit
- Suppliers and customers typically not as good a fit
 - Your other customers are their competitors
- Initial contact should be at or near top (President, VP Finance, Controller)



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Strategic Buyers: Continued

- May want to use intermediary to keep initial contacts anonymous & maintain a “buffer zone”
- Don’t “flood the market” - develop an “A” list first and contact a handful at a time



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Strategic Buyers: Continued

- Try to identify those buyers which have the best fit:
 - Operationally / production capabilities
 - Client mix
 - Product mix
 - Corporate culture



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Financial Buyers

- Venture capital community relatively small
- Venture capitalists typically want to see a business plan or marketing brochure
- Must make great impression early on
 - The “Elevator Pitch”



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Entrepreneurial Buyers

- Often very difficult to locate
 - Could contact professional community (lawyer & accountant)
 - Could contact people in the industry
 - Often high risk of confidentiality breach
 - May require an M&A consultant



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Promoting Under the Radar

- Initial conversations should be anonymous and generic
- Once buyer is qualified and is interested, get a Confidentiality Agreement in place
 - Should restrict disclosure of information
 - Should outline damages if breached



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Promoting Under the Radar (Continued)

- Keep plant visits to a minimum
 - Often after hours
- “Business as Usual”
 - Staff typically aren’t alerted to process
- May be difficult to extract necessary financial information without knowledge of Controller



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Management of Information

- Types of information released varies from deal to deal and from purchaser to purchaser
- Analogous to peeling “Layers of an Onion”
 - Different stages = different information



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Management of Information (Continued)

- Various Stages
 - Initial contact (kicking the tires)
 - Preliminary investigation
 - Due Diligence Phase I
 - Negotiations
 - Due Diligence Phase II



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Management of Information (Continued)

- Initial Contact
 - Initial information is quite generic
 - Provide enough information for purchaser to determine if there is a fit, but not enough information to be damaging



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Management of Information (Continued)

- Preliminary Investigation
 - As transaction unfolds, more detailed information is released
 - Personnel information
 - Information on Premises
 - Operational information
 - List of Equipment
 - Condensed financial information



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Management of Information (Continued)

- Due Diligence Phase I
 - Preliminary negotiations have commenced
 - More information is required before an offer can be presented
 - More detailed financial information
 - Condensed information on client base
 - “Company specific” information



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Management of Information (Continued)

- Negotiations
 - Additional “company specific” information may be requested
 - Use your judgment as to whether you are comfortable releasing the information
 - Comfort level may be different for each type of purchaser



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Management of Information (Continued)

- Due Diligence Phase II
 - A formal offer is in place
 - A deposit has been paid
 - Detailed due diligence commences
 - Most information is made available
 - Detailed customer information may still be withheld
 - Usually full financial disclosure



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