

What Sellers Should Know for a Great Transaction

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What every company that is considering transaction should know.

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Article Summary

Companies that expect a transaction in their future should be sure to understand the five key areas necessary for a successful transaction.

Experts believe that the slowdown of the M&A market from 2009 will come to an end. This is good news for companies that are looking to accomplish a transition. If your company is one of those, we have identified five key areas that we consider non-negotiable for a successful transaction.

Setting Up the Team

Attorneys, accountants, investment bankers and wealth advisors all bring necessary expertise to the transaction. Advisors who are familiar with transactions and how they work are critical to the success of your deal. Current deal structures, trends and best practices are fluid, and change as the environment changes. Be sure your team is in the know.

Setting Value

There are many value drivers within a business. We've chosen the top three as critical for a great transaction:

1. Management Team – who minds the store other than the owner?
2. Financial Strength – are you profitable, sustainable and scalable?
3. Operational Systems – how do you get work done and what technology enables it?

Setting Up the Deal

Prepare a detailed and relevant marketing book. This book is a crucial tool for seller preparedness. Issues discussed in the book are viewed as solvable, while items noted during a

buyer's due diligence become purchase price adjustments. There is always a business reason as to why something is done a certain way. When in doubt, disclose, disclose, disclose.

Setting Up the Data

Satisfying the buyer's due diligence checklists and document requests can be overwhelming. The trick is to assemble your data in a logical and organized way. Do not simply throw data at the buyer or their advisors. Make sure that the data is well prepared, accurate and complete. Releasing data before it has been properly reviewed and analyzed can be a big mistake. This creates distrust or misunderstandings that have to be explained away, and can in turn cause undue scrutiny and stress on a deal.

Setting Up the Structure

The best question for the seller is, "What will I take home from the transaction?" Understand how your current entity structure, purchase structure, proposed entity structure and your tax basis affect the net take home amount. Each structure has pros and cons – it pays to understand them and know how to negotiate for and against them.

Whether you are considering a transition in the next 12-18 months or the next 4-5 years, it pays to be prepared, methodical and proactive in a transaction. We are available to discuss any of these items with you. Please call Lori Gibson at 303-846-3360.