



When beginning a sell-side engagement, the most important issue for us is understanding the motivation behind the sale. Sometimes, owners think they have to sell when they can't sort out a management dispute, or resolve a family succession dilemma, or get needed liquidity. Not only are some of these issues fixable through other means, but the type and terms of the sale, everything from who makes a suitable buyer to how the sale price should be structured, are affected by the background issues driving the seller's decision. We work with you to develop a clear sense of your desired end-state, how things should look after the deal, so that we can all keep that goal in mind as we make decisions along the way.

Once we have worked through your motivation as a seller and helped you define success, we move on to the following steps:

1. **Assessment of the business** — we conduct a thorough review of the company's management, operations, and financial results. Conducting our own due diligence of your business helps us prepare you for a buyer's inquiries. For example, when representing you on the sell-side, we think about your company as if we were buying it, bringing a razor-sharp analysis to bear well before you enter the real diligence phase. In addition to this benefit, these factors support our efforts to establish a market value for the business.
2. **Valuation** — valuation is more than coming up with a number to start negotiations. The exercise is important for two reasons: first, developing a supportable valuation, with credible models, projections, and well-examined, reasoned assumptions, makes it more likely that a buyer will accept your numbers; second, we often find, during the valuation analysis, that there are measures that can be taken to position the business for maximum value, such as cleaning up the balance sheet, clarifying the strategic positioning and message, or shifting the capital structure.
3. **Offering memorandum** — the preparation of a detailed, information-rich offering memorandum that includes the company's history and evolution, an evaluation of the market(s) in which the company operates, and historical and projected financial information is a key milestone in the sales process. Of course, not every prospective buyer receives the complete OM. We also prepare various teasers and introductory materials, with an increasing level of detail and confidentiality. The communication with each prospective buyer follows a general pattern of increasing interest rewarded with increasing access tempered by increasing obligations.
4. **Diligence preparation** — we've seen deals die because the target was not prepared for due diligence. If you're actively involved in a sales process, there's no excuse for a lack of preparation. You have the luxury of time to gather materials, organize them, evaluate them, and come up with a corporate clean-up strategy if necessary. Typical issues range from things as mundane as properly recording all stock option issuances to as tactical as collecting stale receivables to as strategic as thinking about the intellectual property strategy of the company in the context of each class of potential acquirors. Diligence is often presented to interested purchasers in the form of a data room, a centralized location where limited access and increased oversight are available to balance the buyer's need to review the materials with the seller's desire to protect its confidential information.



5. **Marketing the company** — identifying the universe of potential buyers starts with the target's management. Very often, the company itself knows many candidates for the role of buyer. In conjunction with pursuing those opportunities, we also develop an appropriate marketing strategy for the sale, such as using an auction or focusing on a strategic sale to a more limited set of likely purchasers. We also conduct strategic searches in designated industries for qualified buyers. We evaluate the identified candidates with you before approaching them, and sometimes discuss the acquisition with a prospective buyer on a "no-names" basis, helping to preserve the anonymity of our client.
6. **Engaging the buyer** — once a buyer has expressed interest, the next step is not price negotiation. Rather, we begin a series of activities designed to pique the buyer's interest while revealing only specific information gauged by each stage of the discussion. Often, this step involves scheduling and facilitating (both in the logistics sense and in terms of orchestrating the meeting) meetings between the senior management teams of buyer and seller. We help coordinate and facilitate communications, meetings, and site visits with qualified buyers. These visits are a facet of due diligence not easily reduced to a checklist, and they are therefore often overlooked by buyers as an opportunity to see beneath the documents and by sellers as an opportunity to breathe life into the paper representations of the organization.
7. **Deal execution** — as preliminary talks become more definite, and opinions form on each side about the suitability of a transaction, negotiations follow a meandering path toward a letter of intent. Most of the time, a buyer will not sign a letter of intent until the decision to purchase has been made (at least in the buyer's mind) and either a price or a pricing mechanism/model has been set in the buyer's mind. For this reason, we have found that using a term sheet, more common in deals other than acquisitions, is a useful bridge between the NDA and the LOI. A term sheet helps the seller engage the buyer in low-risk negotiations. We assist you with negotiating and structuring the transaction with a general goal of realizing the maximum after-tax proceeds from the sale. An economically advantageous deal structure can be very helpful in reducing risk for each party while increasing the likelihood of long-term success. The documentation process itself can be confusing. Lawyers for the buyer typically draft documents, but significant effort is still required from the seller's management to timely prepare accurate disclosure schedules and other exhibits. Other issues negotiated during this step include the sale price and related terms such as escrow, payout schedules, earnout conditions, and post-closing employment or consulting. Depending on the nature or size of your business, certain regulatory or other government approvals may be required before closing, and there are typically several other ancillary documents that have to be drafted, reviewed, negotiated, revised, and checked for conformity with the agreed-upon terms of the deal, not all of which will make it into a typical LOI.
8. **Integration** — signing an agreement and even closing the merger are not the end of the deal. Many deals destroy shareholder value, even when the price paid is not too high, because of a failure to successfully integrate the target. Why would you, as a seller, care about the future of the deal? Well, beyond your personal desire to see your business continue to succeed, in many cases, some portion of the compensation for the business is paid in stock of the buyer, and of course your former employees now have a new employer. In certain cases and with prior planning, we can extend our involvement to include post-merger integration services provided to the buyer to achieve specific goals. For example, we can assist with monitoring the terms of an earnout provision to ensure that you are given a fair and ample opportunity to achieve the success you planned on, or we can serve as a semi-independent party to help resolve post-closing disputes.