

## **M&A Deal Process and Timeline**

### **1. Key Players**

- a. Owners, CEOs, CFOs
- b. Investment Bankers
- c. Accountants
- d. Lawyers
- e. Corporate Development
- f. Consultants

### **2. Key Objectives**

- a. Maximize Shareholder Value
  - i. Determine effective positioning
  - ii. Access key decision makers
  - iii. Generate competition through controlled auction process
  - iv. Design optimal transaction structure
- b. Achieve Strategic Objectives
- c. Maintain Control of Process
  - i. Use disciplined approach
  - ii. Maintain a level playing field
  - iii. Control distribution of information
  - iv. Move bidders along parallel paths
  - v. Amend process at any time; maintain flexibility
- d. Minimize Management Distractions
- e. Minimize Disruption of Operations
  - i. Front-load due diligence/valuation/informal bidding
  - ii. Examine merits of pre-emptive offering process
- f. Maintain Corporate Values
- g. Retain and Incentivize Management
- h. Maintain Employees

**3. Phase 1: Prepare the Company for Sale (6 - 8 weeks)**

- a. Information Gathering
  - i. Review business, financial and marketing plans & documents
    - 1. Current and planned business strategies
    - 2. Financial and market projections
    - 3. Review and analyze capitalization of the company
  - ii. Conduct management/employee interviews (on a confidential basis)
  - iii. Collaborate and refine potential buyer list
- b. Position Company For Sale – Ideal Metrics
  - i. Revenue & EBITDA growth – preferable above 5%
  - ii. Revenue above \$25 mm
  - iii. EBITDA above \$2 mm
  - iv. Strong management team
  - v. Margins consistent or better than industry avg.
  - vi. Limited customer/supplier concentration
  - vii. Solid balance sheet
  - viii. Audited financial statements
- c. Preliminary Price Validation
  - i. Market Analysis:
    - 1. Compare financial performance of the company with publically-traded companies, compute & analyze implied valuation based on relevant market valuation multiples as derived from precedent transactions
- d. Detailed Price Validation
  - i. Income Analysis:
    - 1. Review and analyze implied valuation based on historical and projected cash flows of the Company and assumed costs of capital, growth and discount rates

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2. Sensitivity Analysis to valuation variables
  3. Base, Weak and Strong economic/business performance test
- ii. LBO Analysis
- e. Preparation of Offering Memorandum
    - i. Executive Summary
    - ii. Investment Considerations
    - iii. Growth Opportunities
    - iv. Bidding Procedures
    - v. The Company Overview
    - vi. Consumer Trends
    - vii. Competition
    - viii. Financial Information & Analysis
  - f. Finalize Buyer List
    - i. Strategic fit
    - ii. Presumed level of interest
    - iii. Financing capabilities
    - iv. Likely view of value and potential synergies
    - v. Ability to execute a timely transaction
    - vi. Confidentiality/competitive issues

### **4. Phase 2: Market the Company (4 - 6 Weeks)**

- a. Initiate Buyer Contact - Confidentiality Agreements
  - i. Distribute Executive Summary
- b. Distribute Investment Overview & Offering Memorandum
  - i. Gauge buyer interest
  - ii. Arrange due diligence & management meetings
- c. Assemble Data Room Materials
  - i. Track buyers

**5. Phase 3: Submission of Interim Bids (4 – 6 weeks)**

- a. Receive written or verbal indications of interest, depending on market response
- b. Select “short list”
- c. Schedule management meetings
  - i. Buyer and Seller meet face-to-face
  - ii. Write Management Presentation
  - iii. Coach Management & participating employees
- d. Analyze initial Due Diligence/Information Requests

**6. Phase 4: Due Diligence and Final Bids (2 – 4 weeks)**

- a. Distribute letters requesting final bids
  - i. Establish competitive bidding/auction process
- b. Distribution of draft sale agreement
- c. Analyze final offers and sale agreements

**7. Phase 5: Final Negotiations and Closing (6 – 8 weeks)**

- a. Review and evaluate final bids
  - i. Obtain and ascertain formal interest and valuation parameters
- b. Negotiate with final bidders
  - i. Maintain competitive bidding/auction process
- c. Coordinate all due diligence parties (accountants, lawyers)
- d. Assist during due diligence process
- e. Assist in closing of transaction