

The Black Box Institute

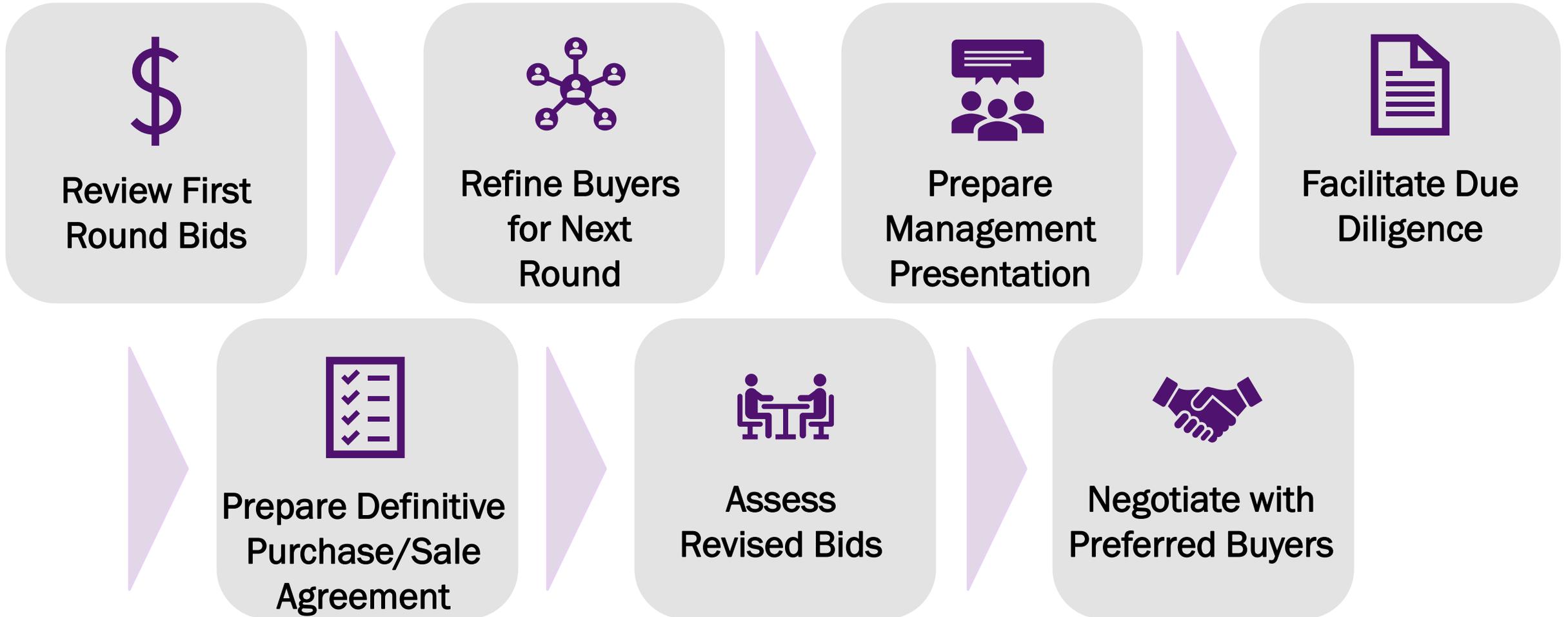
Sell-Side Mergers & Acquisitions

Phase 4: Negotiations

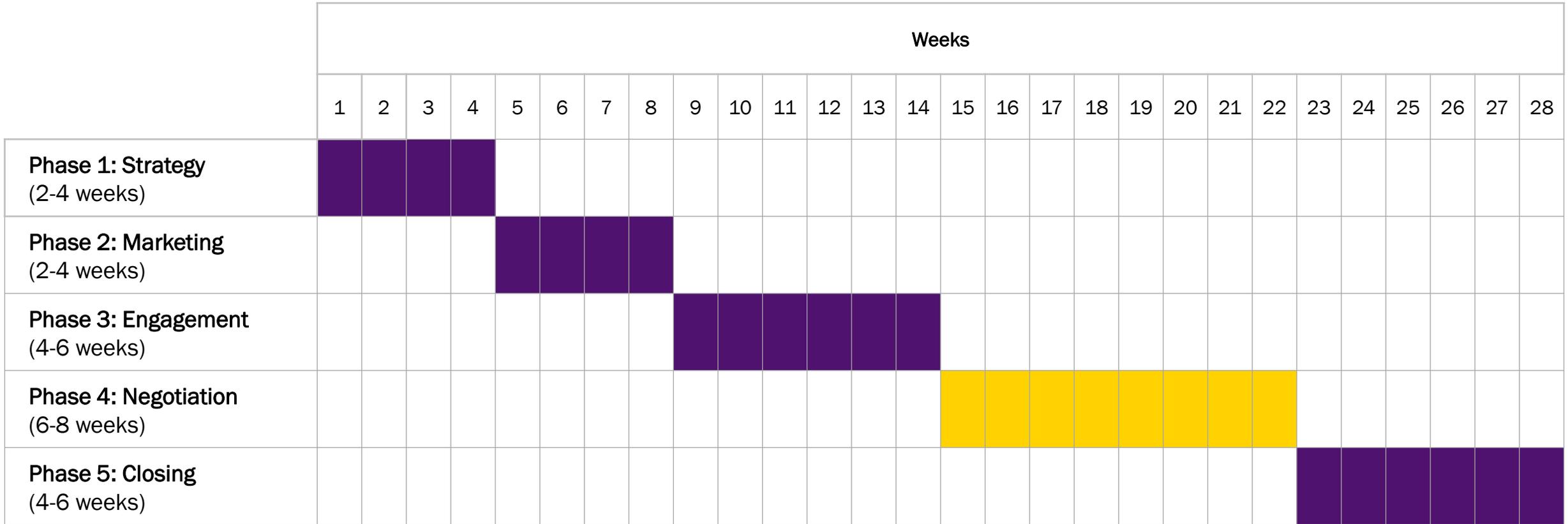
Introduction

Mergers and Acquisition (M&A) transactions describe the process of consolidating two separate entities. There are a variety of reasons why a company may decide to sell in an M&A transaction, ranging from strategic advantages to illiquidity and distress. The sell-side process describes the M&A transaction from the perspective of the seller. This five-part M&A series describes each of the distinct phases of the Sales Process: Strategy, Marketing, Engagement, Negotiation, and Closing. The overall timeframe for this process is 18-28 weeks.





6 - 8 Week Process



18 - 28 Week Process

1

Review indication of interest from buyers

The company will review the non-binding indication of interest or expression of interest from first round buyers. This statement includes a valuation from the buyer's perspective taking into account potential synergies as well as the proposed financial structure.

1 Evaluate buyers for price, terms, fit, and financial capability

2 Short-list buyers for next round

The company will evaluate the price, terms, company fit and financial capability the potential buyer has outlined in the indication of interest. Based on the results of the evaluation, the company will narrow down the list of potential buyers for the subsequent round.

1

Highlight and leverage key buyer motivations

2

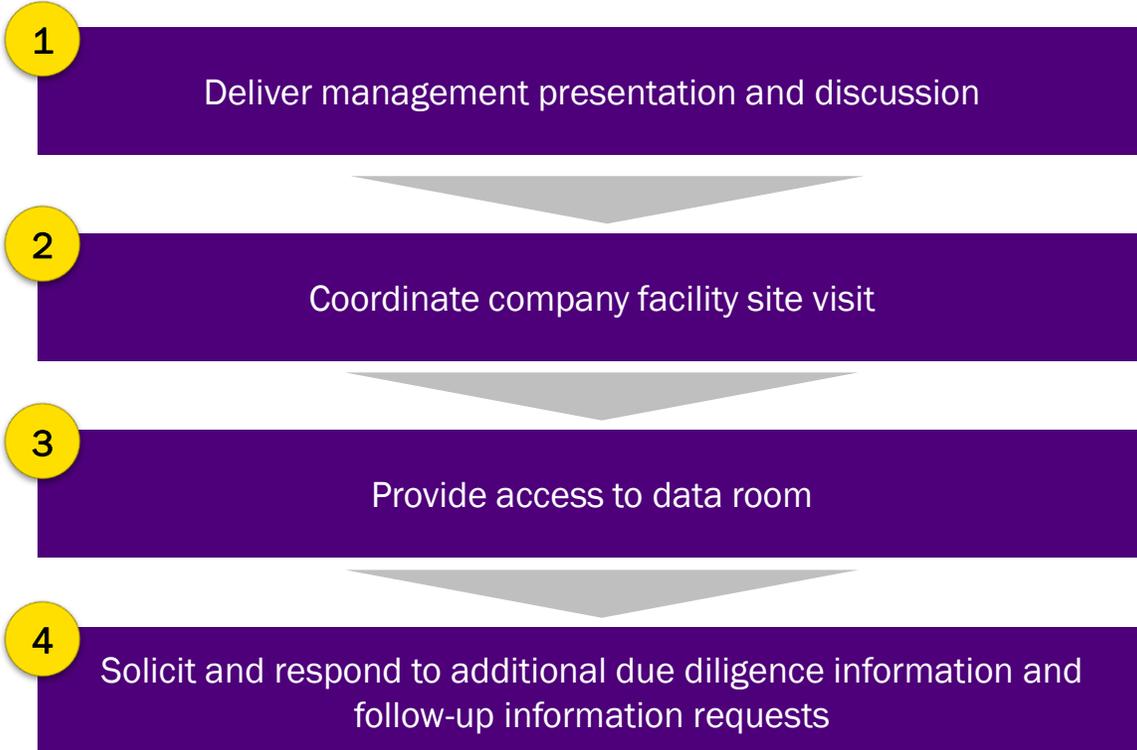
Predict and manage buyer concerns and expectations

3

Craft key message, prepare for questions and answer and determine speakers

When preparing the management presentation it is pertinent that it outlines key buyer motivations in order to attract a large group of potential buyers.

The presentation should predict and manage concerns and expectations by being prepared and vetted early. The company's CEO should be prepared to explain the value-add that the selling company will provide to the buyer. Alongside this, the company's CFO should be prepared to answer any financial questions and to defend the underlying assumptions of the financial projections. This will ensure that buyers concerns and expectations have been managed accordingly.



Prospective buyers use the management presentation as an opportunity to ask detailed questions. In doing so, they might try to get some information that only the sell-side is supposed to know. In these cases, the Sell-Side advisor must step in and support the management.

Sell-Side should provide access to the data room where key company documents can be provided in a confidential and controlled manner. This is especially important for private company acquisitions, where the selling company has not been subject to the scrutiny of the public markets, and where the buyer has little ability to obtain the information it requires from public sources. This will also provide buyers the opportunity to decide if the business fits part of their portfolio.

Before committing to the transaction, the buyer will want to ensure it knows what it is buying and what obligations it is assuming. Hence, it is important that Sell-Side is responding to due diligence information and making the extra effort to follow-up on all information requests.

1

Distribute a draft definitive agreement

2

Distribute final bid procedures letter

Through the definitive agreement, Sell-Side should aim to protect themselves as much as possible. The agreement will outline the finalised deal terms that the buyer and seller are agreeing to during the period between signing and completion. If possible and depending on the leverage Sell-Side has, your counsel should provide the first draft of the acquisition agreement.

1

Review letters of intent and term sheets

Sell-Sides bargaining power is greatest prior to signing a letter of intent or term sheet. After signing this document the leverage switches to the buyer. For this reason, Sell-Side needs to negotiate the terms of the letter of intent or term sheet, with the assistance of its legal and financial advisors, as if it were a binding document. Reviewing this document meticulously is important for ensuring the likelihood of a favourable deal for Sell-Side.

1

Negotiate deal terms with select group of preferred buyers

The final step is to negotiate with the group of preferred buyers. The best deals occur when there are potential buyers, facilitating the competitive situation which can potentially allow the Sell-Side to obtain a higher price. Negotiating with only one bidder can place the Sell-Side at a significant disadvantage, so it is important to negotiate with a group of buyers.

Dear reader, we have created a survey intended to help your organization assess its M&A strategy.

Please fill out the survey and we will get back to you shortly with preliminary results!

**Assess my organization's
M&A readiness**

TBBI Transaction Services:

Selected Experience



Selected Transaction Experience

Phase 1: Strategy

Phase 2: Marketing

Phase 3: Engagement

Phase 4: Negotiation

Phase 5: Closing

Financial Advisor



assessment of value



Strategy and Financial Advisor





Strategy and Financial Advisor





Financial Advisor





Financial Advisor



Commercial Due Diligence



Financial Advisor





Financial Advisor



has merged with





Full Transaction Pipeline

Financial Advisor

investeco
CAPITAL

has sold an equity interest in

LOTEK
WIRELESS
FISH & WILDLIFE MONITORING

 The Black Box Institute

Strategic Advisor to the Executive Management Team

COM DEV
INTERNATIONAL

has sold its equipment business to

Honeywell

for

CDN\$472,000,000

 The Black Box Institute

Financial Advisor

COM DEV
INTERNATIONAL

has acquired

MESL
microwave

for **£12,100,000**

 The Black Box Institute

Financial Advisor

COM DEV
INTERNATIONAL

has acquired

PWS

for **USD\$23,000,000**

 The Black Box Institute

Financial Advisor

 **SUSTAINALYTICS**

got partially acquired by

MORNINGSTAR

for **EUR\$55,000,000**

 The Black Box Institute

Selected Transaction Experience

Financial Advisor



has acquired
TCS Inc.

Financial Advisor

True Risk Incorporated
was sold to
SUNGARD®

Financial Advisor



share reorganization

Financial Advisor



has acquired
Gould Industrial
Automation Systems

Financial Advisor

Equitable Bag
Was sold to a
management of

Financial Advisor



has acquired



Financial Advisor



share reorganization

Financial Advisor

Transatlantic
Marketing Group Inc.

share reorganization

Financial Advisor

Maclean Hunter
European Publishing

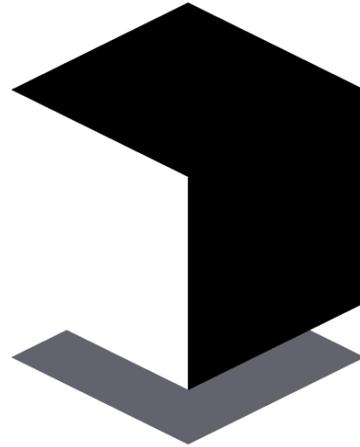
was divested to

(EMAP Plc at the time)

Financial Advisor

Data Business Forms

was divested to a
management-led
buyout group



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