

The Black Box Institute

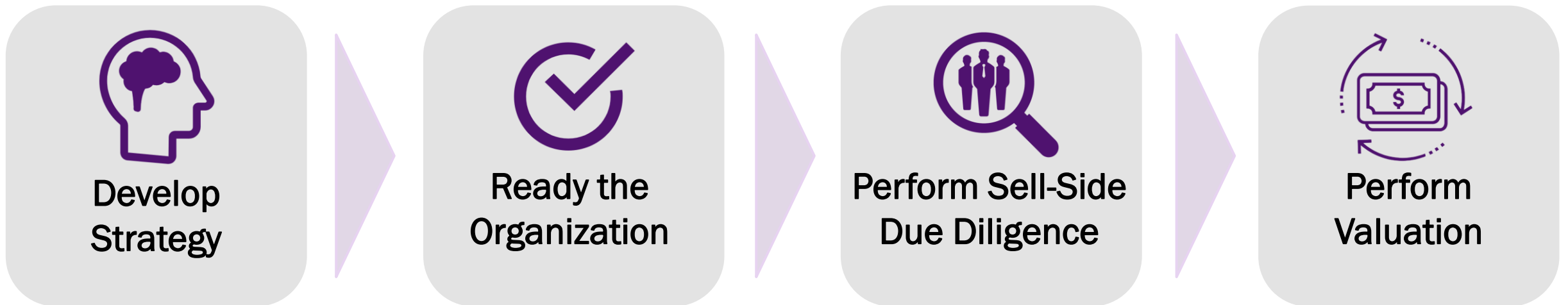
Sell-Side Mergers & Acquisitions

Phase 1: Strategy

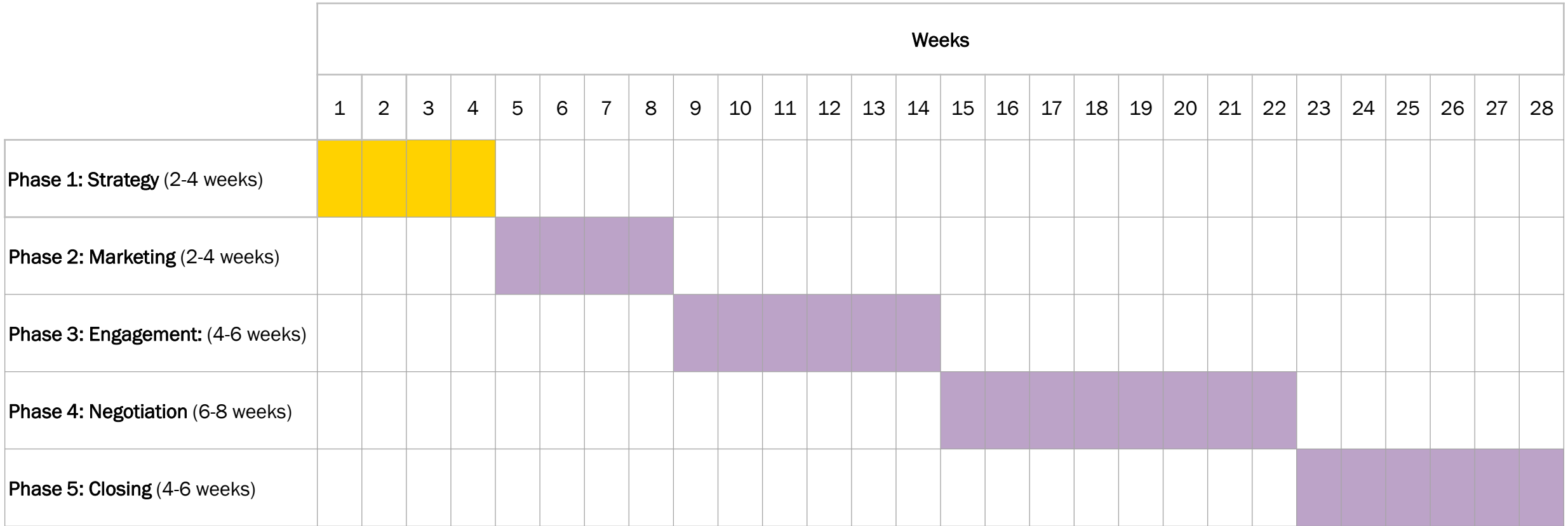
## Introduction

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.





*2 - 4 Week Process*



*18 - 28 Week Process*



The development of an M&A strategy requires the company to clearly define goals and objectives. It identifies how the company defines success in the short and long term. It is also important to determine if a M&A approach is optimal for the company's success. To do this, management must consider other alternative growth and exit strategies and weigh the pros and cons of each. If M&A is determined to be the appropriate strategy, the company must choose between a negotiated, targeted or auction sales process. The strategy and financial targets must also be defined by management to assist in developing the strategy plan.

Once the strategy and targets are define, the company must outline the sale process timeline and roadmap to completion. Overall the timeline for the sales process should be 18-28 weeks.

1 Assemble the deal team and align the organization

2 Address potential issues with governance including fiduciary duties

Organizational readiness is essential for a successful M&A strategy. A deal team needs to be assembled to address different aspects of the M&A process. They are also accountable to the success of the merger or acquisition. In addition, management must be aligned on the overall sales goals and processes. It is also important to address any existing issues with the company's governance. This includes defining the company's fiduciary duties and ensuring those are protected.



The company should perform sell-side due diligence to proactively monitor internal and external issues that will impact the valuation of the company. Firstly, the company can assess their strengths and weaknesses in regards to their value proposition, capabilities, resources, etc. The company can then analyse their financials as well as key value drivers to assess the company's historic and projected growth.

The company must also assess the industry they are operating in. Some framework that will assist in this analysis are PEST and Porters Five Forces. In addition, areas of concern from the buyer's perspective must be identified. Implications must also be reviewed from an accounting, tax, and legal perspective.

1 Analyze comparable companies and precedent transactions

2 Conduct a discounted cash flow analysis and a leveraged buy-out analysis

To determine the valuation of the company for a M&A transaction, the company must analyse comparable companies and precedent transactions. This analysis is especially key for early-stage companies that may not be generating revenues as of yet. Companies can also conduct a discounted cash flow analysis and a leveraged buy-out analysis to determine the valuation. Multiple valuation techniques can be used to provide an appropriate valuation.



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



Phase 1: Strategy

Phase 2: Marketing

Phase 3: Engagement

Phase 4: Negotiation

Phase 5: Closing

Financial Advisor

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assessment of value

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Strategy and Financial Advisor

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Strategy and Financial Advisor

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Financial Advisor

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Financial Advisor

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Commercial Due Diligence

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Financial Advisor

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Financial Advisor

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has merged with




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## Full Transaction Pipeline

Financial Advisor

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has sold an equity interest in



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 The Black Box Institute

Strategic Advisor to the Executive Management Team

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has sold its equipment business to

**Honeywell**  
for

**CDN\$472,000,000**

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 The Black Box Institute

Financial Advisor

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has acquired



for **£12,100,000**

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 The Black Box Institute

Financial Advisor

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has acquired




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

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 The Black Box Institute


Financial Advisor

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got partially acquired by

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

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 The Black Box Institute

## Selected Transaction Experience

Financial Advisor

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has acquired  
TCS Inc.

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Financial Advisor

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True Risk Incorporated  
was sold to  
**SUNGARD**<sup>®</sup>

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Financial Advisor

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share reorganization

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Financial Advisor

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has acquired  
Gould Industrial  
Automation Systems

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Financial Advisor

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Equitable Bag  
Was sold to a  
management of

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Financial Advisor

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has acquired



Financial Advisor

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share reorganization

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Financial Advisor

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Transatlantic  
Marketing Group Inc.

share reorganization

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Financial Advisor

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Maclean Hunter  
European Publishing

was divested to  
  
(EMAP Plc at the time)

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Financial Advisor

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Data Business Forms

was divested to a  
management-led  
buyout group

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# The Black Box Institute

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