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case studies and procedures

The challenge of selling a company

Work Stage

Case Studies and procedures

Selling a company or parts of it is usually not one of the core competencies of most companies.

In order to ensure that such a process is carried out professionally and in the best possible way, qualified and experienced specialists should be consulted. Your support is particularly crucial in defining the steps to be taken to ensure a systematic and well-structured process. Equally important is their experience and expertise in defining a realistic selling price, in finding and contacting potential buyers, and in conducting negotiations with bidders. Furthermore, external expert knowledge is of immeasurable advantage when evaluating offers and preparing and conducting the due diligence phase.

Dear reader, dear reader

External support is a key factor for a successful M&A transaction

Acquiring or selling a company or parts of it is an extremely complex matter. Many internal and external clarifications have to be made and in order to be successful in the various phases of such an M&A process, it is essential to involve experienced people with specific know-how in the process. Unlike in multinational corporations

Those who have their in-house specialists for such M&A activities, the management and owners of small and medium-sized companies are confronted with an unfamiliar situation, which they often lack the expertise and experience to deal with. Therefore, it is in their own interest to work with external consultants, which steps need to be taken in what form and at the right time to ensure that economic, legal and market-related issues are dealt with in a professional manner. The following article shows an example of the process of selling a company and the associated tasks of an external consultant.

With best regards.

Werner Fassbind

Steps in the M&A process

Developing and evaluating strategic options

There is no doubt that the management of a company knows best how to develop and implement strategy when the company is on its own. However, if the question arises as to whether an acquisition should be made or whether the company should be sold, additional expert knowledge is required. Questions like the following will inevitably arise: Is there a realistic chance of finding a buyer or a merger partner? What purchase price are we aiming for? Are there potential buyers on the market who meet our requirements?

Tasks of the consultant

Due to their expert knowledge, M&A specialists are able to assess the attractiveness of a company for a potential buyer, they can provide information about recent transactions and they obtain information on whether the desired sales strategy, including the price, is realistic.

They advise the company on the timing of the sale. It has to be assessed whether an immediate sale is the right way or whether a sale at a later point in time makes more sense due to activities in the M&A market or due to the economic development of the company.

Identification of potential buyers

After the decision to sell a company or parts of it has been made, potential buyers have to be identified. Here, too, the management knows very well which other companies or competitors in the market might be interested in buying. This is however, only part of all potential buyers, namely those who operate in the same segment and in the same regions as the company concerned. However, if all potential buyers are to be identified, even those outside of the company's own reach, additional information is required, which management usually does not have.

Tasks of the consultant

It is the consultant's job to collect additional information on potential buyers outside the company's sphere of activity. Data, to which M&A consultants have unimpeded access, helps to increase the circle of potential buyers and thus the chances of a successful deal.

make it difficult for companies, as investments in new developments or the opening up of foreign markets are essential to secure their livelihood. For a company of suboptimal size that can hardly make headway on its own and could develop better in a larger group of companies, it is advisable to look for a suitable partner.

Treatment of non-binding offers

In practice, the submission and evaluation of non-binding offers is a complicated part of the sales process. There are bidders who offer a high price to ensure they make it to the next round.

On the other hand, there are those bidders who act overly cautiously in order to be able to raise the price rather than lower it in the subsequent rounds of negotiations.

Tasks of the consultant

In both cases described above, it is the task of the consultant to talk to the actors who submitted offers. In this direct communication, the consultant can, based on his experience with other cases, find out the considerations underlying the offer and considerations of the buyer side. In many cases, inquiries and/or more information lead to a change in the offer.

In addition, this approach also has the effect that after the direct discussions with the bidders it becomes clear that it makes no sense to continue working with one or the other bidder in the process. The phase of non-binding offers already provides the indicators for a realistic basis for decision-making later on.

management presentation

The management presentation is the next step after deciding which bidders the seller wants to work with. The management presentation has two main aims: firstly, it should bring the commercial side of the property for sale closer to potential buyers. Secondly, the management presentation is the first opportunity to get to know the actors involved in the process personally. This is where the adage "You never get a second chance to make a first impression" takes on fundamental meaning.

In addition to the additional information for the potential buyer, it is an opportunity for him to assess the quality of the management of the company to be sold. In view of this starting position, serious and professional preparation of this presentation is absolutely crucial. In many cases, the management presentation results in a modified, non-binding offer, which is no longer just based on "facts and figures", but also includes diverse impressions and knowledge about culture and people.

Tasks of the consultant

The task of the consultant in the phase is simply to look after and support the staff involved in the preparation. Based on his experience in similar cases and the information he was able to gain from direct discussions with the bidders, he can advise the management team on what is important in terms of content and conduct. In addition to these

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He also helps prepare the questions that the seller's management will use to explore the companies' intentions and ideas for the future and their views on the potential of the merger.

Due Diligence

The management presentation is the last evaluation step before the process really gets concrete. As a rule of thumb, no more than three candidates should be invited to the due diligence. In due diligence, the depth of the data given to the potential buyer is very high. With the exception of vital data such as customer names, sales and contribution margins per customer or individual sales prices, all information is made available.

Tasks of the consultant

The preparation and implementation of due diligence is also a process that requires professional know-how. Setting up the data room and constantly monitoring the due diligence process are the real tasks of the consultant, who brings in other specialists for this purpose. The consultant also recommends to the management which information is made available in which form in the data room. In addition, it is present in the data room and collects questions from buyer representatives. He then makes a recommendation as to whether the questions should be answered immediately or only after the conclusion of a contract. And last but not least, he is responsible for the correct implementation of the process, taking into account the legal requirements.

Binding offer and contract negotiations

After the due diligence has been evaluated by the potential buyer, he submits a binding offer and preferably already a mark-up of the purchase contract. In this document, the bidder offers a definitive price and describes the conditions of sale.

Tasks of the consultant

This step is one of the crucial ones in the whole process. The assessment of the binding offers and contractual issues should be carried out by recognized experts. The value of an offer depends not only on the purchase price, but on the overall package, including the scope and regulation of any guarantees, payment modalities, closing conditions, etc. This is also the time when price negotiations become decisive. Negotiating skills can increase the price considerably, especially when there is more than one bidder. In addition, the competence of the negotiating team ensures a fair contract.

From signing to closing

After both parties have agreed on the price and contract conditions, the purchase contract is signed. Depending on the complexity of the transaction, signing and closing can be done at the same time. In most cases, however, there are still open points to be clarified after signing, which precede the conclusion.

Tasks of the consultant

In this phase of the process, external support from consultants serves to clarify and complete open questions and pending work within the specified time. The coordination of all parties and actors involved in the process is a very time-consuming matter and would absorb too much time and energy if it were carried out by in-house people. Minimizing the time between signature and conclusion is also of great importance with regard to the workforces of the two companies involved. As long as the deal is not closed, there is a degree of uncertainty and the integration process is postponed.

Would you like to know more? Please give us a call. We would be happy to show you the possibilities, opportunities and risks of a purchase or sale transaction in a non-binding discussion.

Even if you don't intend to buy or sell, it's often worth considering: Who knows? Maybe completely new perspectives will open up!



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