

# Realising your value

with WY Partners





As expert M&A advisors, WY Partners' relentless commitment, from the beginning and throughout the process, brought us great comfort. They provided detailed and professional advice that led to a successful outcome that wouldn't have been possible otherwise. WY Partners were an invaluable partner throughout the sale process, and we highly recommend them.

**Will Rowe**  
Chief Operating Officer  
Rufus Leonard

## OUR M&A PROCESS

1. **Strategic insight**
2. **Marketing**
3. **Execution**
4. **Post-deal services**

# STEP 1.

# Strategic insight

Before the process starts, we must prepare the business to be sold.

The business must look attractive to buyers and be positioned in a way to attain maximum value.

Key activities in the preparation phase include: a detailed review of financial information, preparation of marketing materials, advising on a potential buyer pool and preparation of a virtual data room. This phase is the underlying foundation to a successful M&A process.

We will:

## Review financial information

Analyse historical financial information to determine underlying profitability and perform a detailed review of working capital, both of which are key valuation metrics.

Leverage WY Partners financial expertise built from working on transactions from both sides of the table to prepare for key negotiations on behalf of the sellers.

Provide support for the sellers' future vision for the business by leading the preparation of a financial model backed by detailed assumptions.

## Prepare Information Memorandum

Prepare a best-in-class long form marketing document, the **Information Memorandum (IM)**<sup>1</sup>, which presents the key attributes of the business and allows potential purchasers to understand the acquisition opportunity.

Prepare a management presentation that the sellers will present to potential purchasers to describe the business in their own words. These meetings are likely to be interactive and allows for an in-depth Q&A session.

## Identify potential purchasers

Perform a detailed review of the market using our deep industry expertise, research, and discussion with the sellers to identify a focused list of potential purchasers across different buyer groups.

Agree a shortlist of potential purchasers to target based on the strongest strategic rationale. The key here is to identify those buyers to whom the acquisition would be particularly compelling, for instance, where there is revenue or cost synergy, or where there is a geographic gap.

## Prepare the virtual data room

Collate key transaction documentation to be stored in a secure and cloud-based **virtual data room (VDR)**<sup>2</sup>.

## 1. Information Memorandum

This confidential document is the primary marketing material that is shared with potential purchasers prior to any management meetings where the business can be presented. It must concisely and clearly articulate the key investment highlights and allow potential purchasers to understand the opportunity prior to gaining any access to Management.

## 2. Virtual Data Room (VDR)

A virtual data room is an online repository for storing and sharing documents securely. It is used during the due diligence process to review, share and disclose company information.

# STEP 2.

# Marketing

Once the preparation phase is complete, we will contact prospective buyers. Each interested party will receive a personal confidential overview of the opportunity from a member of the WY Partners team.

Management presentations will then take place between the management team of the sellers and buyers who have been selected to progress to this stage

The presentation gives the prospective buyer an opportunity to dig deeper as they will meet the individuals at the heart of the business. Thereafter, we work with the sellers to interpret and negotiate indicative offers received and seek to enhance each through the competitive tension of the process. The length of the marketing phase is dependent on the level of interest in the business.

We will:

## Make purchaser contact

Approach the agreed list of potential purchasers providing an anonymous **teaser**<sup>3</sup> document where required. WY Partners brings deep and long held relationships with key decision makers from buyers and investors across the media and technology landscape. The opportunity and its compelling strategic rationale are discussed directly with each company.

Distribute the appropriate marketing materials once a Non-Disclosure Agreement (NDA) has been signed.

Engage all interested parties by the terms of the **process letter**<sup>4</sup> to set out the bidding and timetable parameters.

## Organise meetings

Co-ordinate correspondence, information requests and meetings with potential purchasers.

## Present indicative offers and negotiate heads of terms

Receive and present all indicative offers to show the relative merits of each one and decide on a purchaser to select as the preferred party.

Negotiate and agree **heads of terms**<sup>5</sup> with the preferred party and enter into a period of exclusivity.

## 3. Teaser

The teaser supplies just enough information to entice the buyer into wanting to know more. It showcases top line information such as the company's product or services, its unique selling points, industry overview, ownership structure, potential areas of growth, and high-level financials.

## 4. Process letter

The process letter outlines the basis on which bidders may make an offer.

## 5. Heads of terms

Heads of terms, also known as a letter of intent (LOI), set out the terms of an acquisition agreed in principle between the parties before the finer details are negotiated. Although heads of terms are usually not legally binding, the document records the future intentions of parties wishing to take part in a transaction but does not enforce obligations on them. The only binding element of the document is typically a fixed period of exclusivity for the potential purchaser to conduct due diligence.

# STEP 3.

# Execution

The final stage of the process where, typically, a single party will be selected to progress into exclusivity. Buyers will conduct detailed due diligence on the business, which will include an investigation of the business' financial, legal and operational history, as well as the market opportunity.

The diligence phase is thorough and will often involve the buyer using their own professional advisors such as accountants, management consultants, technical experts and lawyers.

We will manage the diligence process, using the VDR to feed information to the buyer's advisors and hold calls to ensure that all questions are answered efficiently. Following due diligence, the buyer and seller will agree on final terms in the Sale or Share Purchase Agreement (SPA) prior to closing.

We will:

## Assist with due diligence

Co-ordinate and manage **due diligence**<sup>6</sup> providers which can include financial, tax, commercial, legal, HR and technology.

Provide access to information through the VDR and arrange meetings with the different diligence providers.

## Negotiate the Sale or Share Purchase Agreement ('SPA')

Work alongside the legal advisors to negotiate on the key value drivers and terminology within the **Sale or Share Purchase Agreement (SPA)**<sup>7</sup> alongside further ancillary documents. These documents are legally binding.

## Close the deal

Actively manage the process right through to completion to ensure the deal closes successfully.

Close and announce transaction.

## 6. Due diligence

The due diligence process is when all documentation and records are compiled by the seller and provided to the buyer. The findings help the buyer assess their risk and improve the decision-making process.

## 7. Sale or Share Purchase Agreement (SPA)

A Sale or Share Purchase Agreement (SPA) is a binding legal contract between two parties that obligates a transaction between a buyer and a seller.

## STEP 4.

# Post-deal services

After the deal has closed, we continue to work with sellers on adjustments to the final purchase price. Our work is generally split into two areas.

### Completion accounts

When this price mechanism is used, we help sellers to calculate the final excess cash calculation by agreeing the completion accounts which tends to be 2-3 months after close.

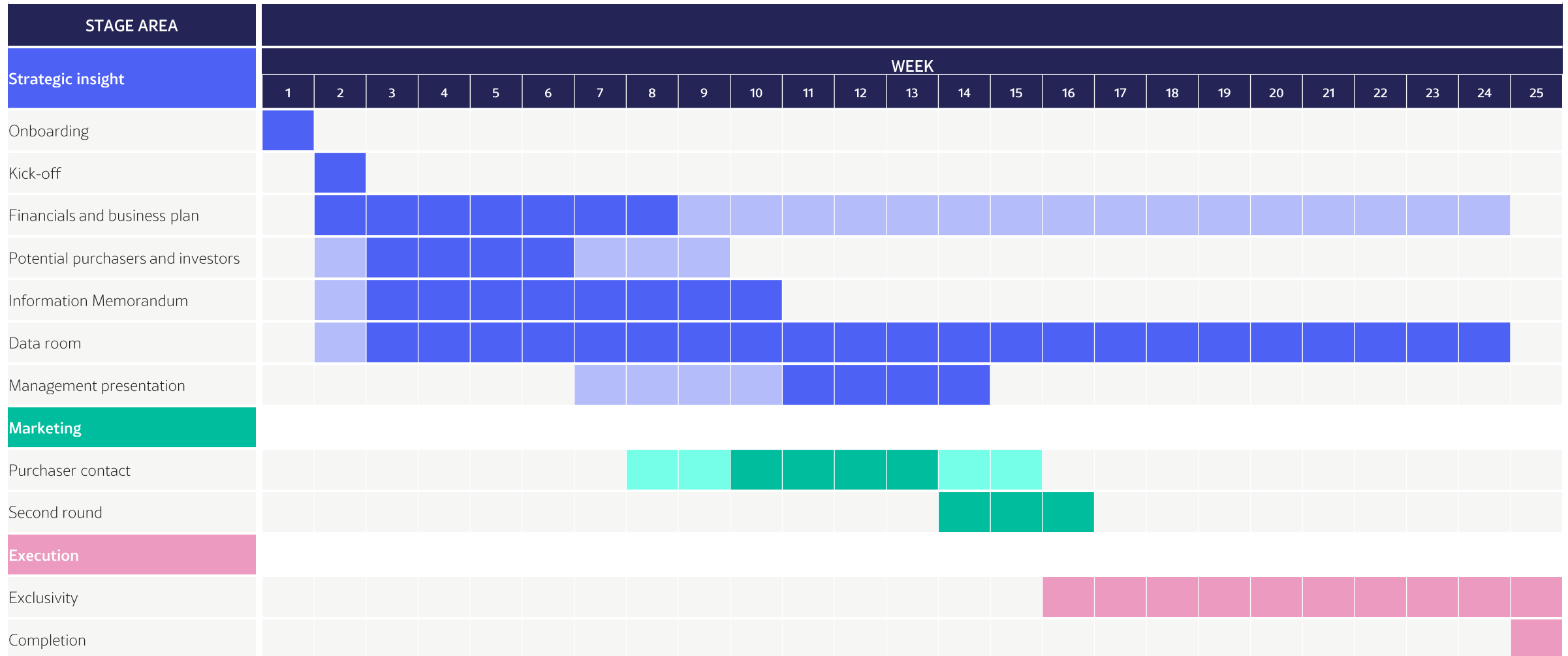
Please refer to our article on completion accounts vs locked box for more information (available on our website).

### Future consideration

Deals can often be structured to include an element of consideration that's deferred or contingent on future events – an “earn-out” or “deferred consideration”. Buyers will use this mechanism to reward sellers for delivering future growth and lock them into the business for a defined period. The terms and conditions vary from deal to deal and can be linked to financial metrics such as revenue or EBITDA or commercial measures like retention of key clients.

We will help you to understand the technical intricacies and plan for the potential future payments.

# Indicative timeline



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