

Initial situation

A German medium-sized group planned the acquisition of a mid cap owner-managed business based in Germany to gain access to specific technologies and to expand its existing product portfolio. The transaction was initially set up by the involved corporate finance advisers as an auction, but turned into an exclusive process at a later stage.

Challenges

The target was characterised by structures which distinguish German mid cap operations, namely a focus on those areas which drive the operating business such as sales and distribution as well as technological innovation. Therefore, rather few resources were dedicated to internal and external financial reporting. This affected in particular the robustness and thus reliability of monthly interim reporting as well as the availability of controlling information, e.g. in order to perform margin analysis or similar.

The seller had no M&A experience. He proposed to keep his position as managing director after a completed transaction which was in line with acquirer's intention as it was assumed that the presence of the seller who once set up the target company was essential to successfully continue the business after closing.

The sales process spanned a nine-month period, partly because of the abovementioned specifics.

Approach

In order to accommodate the transaction-specific peculiarities - especially relating to a seller with no M&A background and a strong focus on technology - we assisted our client throughout the entire transaction process and thereby successively won both seller's and his advisor's trust.

Our services comprised e.g. assistance drafting the letter of intent, the preparation of financial projections in light of absence of any such information set up by the target, the execution of an indicative enterprise valuation, the execution of the financial and tax due diligence, assistance drafting the terms of the share purchase agreement - to the extent these related to matters covered by our work - as well as support in sales negotiations.

Outcome

By retaining the same project team, we reassured continuity and a steady uninterrupted information flow throughout the whole project. Consequently, our client could always rely on the same contact persons from the initial stages of the process to the signing and closing of the transaction. Our familiarity with the transaction itself and its key players allowed for a very focussed approach which notably contributed to the quality of support services offered to our client. This applies in particular to contract drafting and sales negotiations at the final stages of the process.

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