

Steps to a Successful M&A Transaction

By Anthony Lembo

Companies preparing for potential transactions in 2013 should consider: planning for a successful transaction is critical. This is no simple task. M&A is a delicate process and a poorly managed M&A procedure will nearly always fail. As in football, without the right game plan, the odds of success are drastically reduced.

What are the steps a potential seller should take in anticipation of a future transaction?

1. **Acknowledge and realize what you don't know.** Many owners want to be in control and manage the process. This is very risky. Usually the owner is doing his or her first transaction while buyers are sophisticated and experienced. Going alone is like taking a knife into a gunfight. It is best to work with professionals who can guide and direct the process.
2. **Poor upfront due diligence and financial analysis.** Once an owner decides to sell, he or she is usually anxious to get the process moving often resulting in rushed or incomplete initial due diligence. The first impression is a lasting impression, and if the initial financials, budgets and projections are not well presented and vetted, negative surprises can derail or cause for renegotiation of purchase terms when the seller has less leverage.
3. **Understand your needs and goals.** Clearly articulating your motivation for a transaction is critical both to the process and the buyers. For the process, it can drive the potential buyers, for example, if you are looking for capital and want to continue to manage and grow the company, a private equity buyer may be the target acquirer. On the other hand, if immediate retirement is the goal, a strategic buyer with existing skills and management can be the correct prospect. Knowing this upfront, can shorten the time frame and match both buyer and seller expectations correctly.

Taking these steps at the outset of your process will enhance the experience and increase the likelihood of a successful outcome. With the slowly improving US economy, and interest rates at an all-time low interest rates, we expect 2013 to show improved M&A activity. If the process is in your future for 2013, it is never too early to start.