Mergers & Acquisitions Checklist

The Essential Cheat Sheet

1. First and foremost - **a good deal has TWO winners**. A properly structured deal has NO losers. It's important to understand the motivation on both sides right from the beginning. If both buyer and seller are clear and intentional from the start on what they're looking for in the transaction, and everyone is completely open, you get to the win-win faster.

2. Not being adversarial is critical throughout the process. Think of this as **planning your wedding, not your divorce.**

3. **Every transaction is emotional.** People love to say "It's business, not personal" but that is simply not true. It is absolutely an emotional transaction, and people (buyers and sellers) often change their minds as they go through the process of due diligence, for various reasons.

4. If you're thinking of selling, the best way to prepare is to **run your business in the most optimal way you can** - and then the options will naturally open.

5. **Do not "build to exit"** – when we see that we know we have to dig deeper to know what's really going on, e.g., what is sustainable vs. what is a tactic to drive near-term value.

6. **Think about your employees and your clients.** Finding a buyer that provides more growth opportunities (for employees) or service and product offerings (for clients) can amplify the win-win for everyone involved.

7. **Know what you plan to do after the sale of your business**. Do you plan to exit immediately, after a specific transition period (e.g., 6 or 12 months, or longer), or are you committed to the 'long haul'? Having this clarity will help you set the right upfront expectations during a sale process. It can help you find the right partner (buyer) to realize your goals. And, it will help guide you to a transaction structure (mix of upfront cash, rollover equity, and/or earnout) that works for you and the buyer.

8. We always recommend that sellers **surround themselves with the best advisors they can**. Ultimately, this simplifies the process for everyone and ensures that nobody perceives they are exploited.

9. **"Time kills all deals."** As a buyer, you need to do what you say you will do, at or ahead of schedule. As a seller, you need to show that you can make confident, quick decisions during the process, while still maintaining the level of business you presented to the buyer in the first place. The longer the deal drags out, the more exhausting it gets for both sides. Worse, it often distracts the seller from what should be of primary importance, and that is focusing on the ongoing business.

10. **Once you are under LOI, small changes are expected to occur to the business on the seller side**. This may include attrition, growth, or loss. Putting a "collar" around this right up front in the agreement is important. As an example, if you grow or shrink by 3% - no conversation. If a major event should occur, then a conversation may be needed. The goal here is to avoid re-negotiation if possible.

11. **Keep your reputation in mind.** If word gets out that you've backed out of multiple deals (either buying or selling) it will become increasingly harder to get others to engage with you.

12. **Learn from the experience!** Even if you never intend to do this again, reflect on what you have learned during the process so you can apply it to other areas.

Seller Key Points: Maximize Your Value*

✓ High client retention	✓ Clean accounting records
✓ Organic growth-double digits annually	✓ Operational maturity
✓ 70% + recurring revenue	✓ Consistency and focus
✓ Strong employee retention/tenure	✓ Proven ability to scale
✓ Geographic concentration	✓ EBITDA> $1m and > 15% of revenue

Note: Even if you aren't planning to sell, doing these things will help you build a stronger business.

Buyer Key Points: Considerations for Success**

✓ Is it a good culture fit?	✓ What are your long-term goals?
✓ Will there be new products to cross-sell?	✓ Will there be new locations to manage?
✓ Are you creating value through synergies?	✓ Who is helping with due diligence?
✓ How are you planning on funding?	✓ Does the seller have experienced advisors?

***Note: In addition to all financial and other quantitative details that drove interest in the purchase.*

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