

Buy Side Process

Getting Started

To successfully acquire companies and enhance shareholder value, every buyer needs to develop a working team and a team of experienced external advisors including lawyers, accountants and investment bankers. Hiring an experienced investment banking firm can be invaluable for several reasons:

- In many cases, sellers may have hired intermediaries and using an investment banker can put you at an equal bargaining position with the seller. In cases where the seller does not have M&A representation, hiring an investment banker can give you an advantage in negotiations.
- Chasing after the wrong sellers or trying to determine which companies have an interest in selling can be costly and time consuming. Using an investment banker can save you valuable time and resources by pre-screening opportunities.
- Investment bankers generally have means and access to information that can be used to pre-screen potential targets.
- Finally, investment bankers can provide counsel on valuation and negotiation. The potential of saving hundreds of thousands or even millions of dollars through smart bargaining justifies the existence of that valuation and negotiation expertise.

We recognize that each client desires a different degree of involvement during the various stages of the acquisition process. Some clients prefer to be deeply involved every step of the way. Others choose to become involved only after we have identified a prospect and performed extensive diligence. At R.L. Hulett & Company, we tailor the acquisition process to your individual preference.

Develop Strategy

The first step is to develop an acquisition strategy that identifies the specific objectives of a transaction and the criteria to be applied in analyzing potential target companies. The basis for the strategy will be the profile of your ideal acquisition candidate. We collaborate with you to critically analyze your needs and help refine your acquisition criteria in terms of industry, operational capabilities, cash flow, sales volume, geography, management and other factors. Doing so will make your search efficient and will dramatically increasing the likelihood of success.

Search and Initial Approach

The profile of your ideal acquisition candidate drives a targeted search. We utilize public, private and proprietary databases, industry associations, and other sources to identify targets that fit your profile. The advantage of our process is that it provides access to many targets that are not currently on the market, but might be amenable to a sale if approached properly.

An experienced and professional initial contact with these targets is critical to your success. Target companies frequently receive calls from investment bankers, business brokers and competitors inquiring about their availability for sale. Target management often becomes numb to this type of contact. Our experience, professionalism and reputation are the keys to breaking through these barriers. We create marketing materials that feature your competitive advantages as a buyer, highlight the benefits you bring to the target's business and promote your integrity and ability to close the acquisition.

Screening

Analyzing acquisition opportunities is complex and time consuming. R.L. Hulett & Company lifts this burden from our clients by gathering information and initially eliminating undesirable targets. To protect your management team's valuable time, we put stronger targets through an initial due diligence screening to ensure they are viable acquisition candidates that meet your acquisition profile. During this process, we are on alert for customer, supplier, labor, operations, industry, liability, financial and other issues that may make the target an unattractive acquisition candidate. We will present to you only those targets that survive this initial vetting. The result: we present your management team with only quality acquisition candidates.

Selection Process

After the initial screening, we further evaluate viable targets alongside your management team. We will work with your management team to request and analyze additional diligence items and, if necessary, further narrow the field of viable acquisition candidates. We will also help identify both positive and negative factors of an acquisition candidate that will assist you in the negotiation process. During this process, our goal is to develop a trust relationship with the viable targets that will help the process proceed toward a successful acquisition.

Site Visits and Diligence

At this stage, our role is to facilitate information sharing between the targets and your management team – saving your management team from diverting valuable time away from your core business. If you desire, R.L. Hulett & Company will conduct initial site visits to the remaining viable candidates and report our findings to your management team. R.L. Hulett & Company will carry the time consuming burden of collecting and synthesizing the preliminary diligence information for your management team.

Valuation Assessment

Once we have identified a desirable acquisition target willing to engage, we create a model containing historical and projected financial statements, quality of earnings adjustments, working capital requirements and an optimal capital structure to determine a valuation for the business. From the valuation and cash requirements, we advise you on alternative transaction structures to prepare a preliminary bid.

Letter of Intent

A Letter of Intent includes a set of binding and non-binding terms as a roadmap for the eventual transaction. By having a written and executed document in place, both sides have more comfort that a framework is outlined before committing substantial time and money into due diligence. It is also important at this stage to resolve potential problems that could derail the transaction before either side has incurred significant expenses.

Final Due Diligence

This process includes a legal, financial and strategic review of all of the seller's documents. This is a test of the value proposition of the deal. The legal issues focus on contracts and potential encumbrances that may impede the transaction. The financial due diligence analyzes the quality of earnings, customer financial strength and working capital requirements. Strategic due diligence is generally performed by the management team to further assess the business strategy and post-close integration plan. Although tedious and expensive, the due diligence process is critical to a well-planned, successful transaction.

Negotiations and Closing

We will use our knowledge about the target's business, ownership, management and financial situation to help your management team determine the ideal transaction structure, negotiate deal terms and successfully close the acquisition on terms favorable to you.