



Realising a company's true value

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In January of this year, CA closed a \$40m deal for a high-tech healthcare services business. The successful acquirer had opened the bidding at \$22.5m. How did this dramatic re-evaluation happen?

CA believes the true value of a company cannot be realised unless it is comprehensively (but confidentially) marketed.

First, the Information Memorandum (IM), a critical document of some 95 pages in this case, had to convey the excitement of the opportunity – which included vast untapped potential - to financiers, business managers, shareholders, legal advisors and indeed a vast range of professionals who could influence a decision on whether to invest. Myriad complexities of a technological, legal, commercial and business nature needed to be understood in order for potential investors to evaluate the opportunity.

CA wrote that IM and then set about contacting potential acquirers on a worldwide basis. The response was massive, with the first caller submitting an indicative offer of \$22.5m with a drop dead date to enter a period of exclusivity.

This would have been an easy option for CA – the price was more than that anticipated by the client and the buyer deemed an acceptable partner.

Clearly, the fact that CA's global approach to the market had generated such interest, must inevitably increase the value of the business. Also, with an earn-out in prospect, it made sense to explore the chemistry of the 'fit' with this particular buyer.

Following receipt of an impressive 17 indicative offers, CA mentored the client through 16 half-day presentations to selected bidders.

The client's entire management team attended these sessions – it was all about their future too – and over an intensive 2-week period, in which individual members of the team became progressively more attuned to the issues at stake - it was revealed how vastly different life could become under the numerous new ownership options proposed. The visitors, indeed, began to find they, not our client were the party under scrutiny.

Several lessons were amply demonstrated to all concerned by this assignment – the importance of marketing, for one. Both by the seller and the buyer. The power of a market, for another.

In the event, the original bidder won this competitive bidding situation. (This was not an auction; CA maintained the confidence of no fewer than 6 interested parties before agreeing to enter a period of exclusivity and due diligence with one party.) However, deal terms were negotiated to an extreme of detail before that decision was reached – with the result that not only had the purchase price achieved by CA's client doubled through the process, but it was upheld, and duly paid at closing despite our client failing to reach any of its forecasts.

For CA's client, the protracted and detailed negotiations - ensuring every pretext for a late reduction in price had been blocked – protected the client from massive disappointment at the closing stages.

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