

## Who Do You Need on Your Advisory Team?

We've all heard the phrase, "It takes a village..." In addition to raising a child, this holds true for selling a business. Okay, maybe not a village, but it does require a team of experienced advisors with varying skillsets to enable a business owner to get the most, keep the most, and benefit the most from a business sale. Who should you have stepping up to the plate for you? Below we outline four valuable roles to include on your team before moving forward with any potential buyers and explain how they typically serve you throughout the process.

### Investment Banker

Hiring an investment banker provides you with an expert in running a confidential auction process. The investment banker will quarterback the entire process, conducting a number of key tasks including preparing the confidential marketing materials, researching appropriate buyer targets, contacting those targets to generate interest, leading negotiations of valuation and terms, managing the due diligence process, and assisting the other advisors in the preparation of closing documents. An investment banker's experience with the process ensures you will attract the best valuation the market will bear while keeping the process confidential and progressing timely.

### M&A Attorney

Business sales have many unique nuances that require a specific knowledge base to best negotiate terms of your purchase agreement and other legal documents. As such, we highly recommend engaging an attorney that is well-versed in M&A. Your attorney will work to provide guidance to obtain the most favorable resolution for issues that arise during due diligence, assist in getting corporate documents in order, and limit potential areas of liability post-transaction.

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### CPA/Tax Advisor

Understanding the tax impact of your business sale and implementing desired strategies in advance of the transaction closing will enable you to make an informed decision in determining the minimum purchase price you will require. Your tax accountant will have the deepest knowledge of your individual tax circumstances. They can work with your investment banker's estimated valuation to provide you with a more specific estimate of net proceeds, based on the information available at the time, and consult with you to determine the best structure and methods to minimize your taxable income.

### Wealth Advisor

In most cases, selling your business will lead to the largest liquidity event in your lifetime. If you aren't already working with one, it is important to enlist the assistance of a wealth advisor to create a financial plan once your proceeds are received. You will want to strategize with your wealth advisor well before the transaction closes to evaluate your personal budget needs, define your estate objectives, and prepare for immediately implementing your plan based on your investment objectives and risk profile.

As you can see, each of these advisors serves a unique but critical role in the successful sale of a business. Building an experienced and trusted team, preparing well in advance, and ensuring your team communicates with each other will greatly improve your outcome while guiding you through a process that can be both emotionally draining and time consuming.





By Steve Jacobs

Despite 2023's YTD decrease in deal volumes compared to the second half of 2022, M&A activity continues to exceed pre-pandemic levels. As companies pursue strategic growth or repositioning with select divestitures, M&A activity for the remainder of 2023 and 2024 will offer a reasonable level of middle market transactions. There are many corporations rich with cash and ready to make acquisitions, and we believe middle market transactions will be what leads activity in the last quarter of 2023 and

during the next year.

Financing has become more difficult for some buyers, and a lot more expensive, creating a greater need for alternative funding. On the seller's side, readjusting valuation expectations is needed, plus pre-sale preparation is more important than ever to maximize value. While there has been no relief on the interest rate front, general economic sentiment appears to have improved as 2023 has progressed, alongside diminishing expectations of an imminent recession.

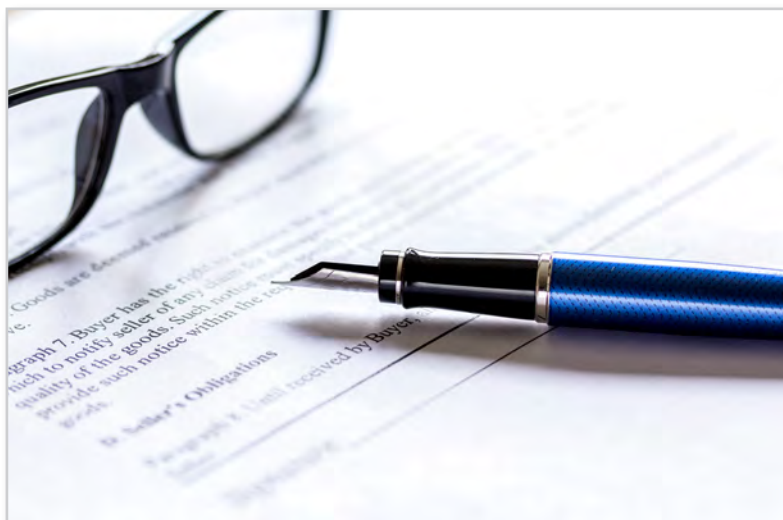
Despite current challenges, quality businesses coming to market are

still commanding attractive multiples. There will always be a market for companies that can generate growth, have steady and predictable cash flows and margins, and achieve scale in their industry. Private equity investors also have substantial "dry powder" on hand and continue actively seeking acquisitions in many middle market industries.

Family business owners looking to sell their business in the current environment will have to be well prepared for the transaction process, given heightened levels of diligence and scrutiny from potential buyers and their lenders. User-friendly financial statements, well-crafted offering materials, and a deep knowledge of the value drivers in your business and industry can be critical. Having a team of experienced advisers will help ensure a successful outcome whether selling a company or making an acquisition.

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## Explaining the Letter of Intent



Regardless of whether you are the buyer or the seller, one of the most important and exciting milestones within the M&A process is the successful negotiation and mutual execution of the letter of intent (LOI). Depending on the process being run, the LOI will either come after a less-detailed indication of interest (IOI) or it will be the first and only written offer. So, what exactly is an LOI and what purpose does it serve?

Although most of what is in an LOI is non-binding, including the valuation and structure, the LOI provides key details regarding the terms of the transaction both sides should be

comfortable adhering to through closing. Some of the key items we look to define in the LOI are the following:

- 1. Valuation** – The purchase price for the business should be clearly stated, including the basis upon which the valuation was derived. Valuations that are contingent on achieving forecasted numbers are much less certain than those based on historical results. Both parties should be committed to closing at this price, barring any unforeseen issues uncovered during due diligence.
- 2. Structure** – How will the purchase price be paid? Will it be paid fully in cash at close, or is the buyer proposing the seller carry some portion on a note or participate in an earnout?
- 3. Asset vs. Stock** – Whether the buyer is acquiring the assets or stock should be identified, as this could have significant tax consequences for both sides. In some cases, further due diligence may be required, but often the buyer and seller will know their preferences at this stage.
- 4. Funding** – An LOI submitted with a financing contingency, even if the valuation is higher, may not be as attractive as non-contingent offers due to greater uncertainty of closing.

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# Lifting the Business Through Strategic Partnerships

Identifying the appropriate strategic partner plays a crucial role in the process of selling your business. The challenge lies in locating an acquirer who not only meets your qualifications but also values and upholds the fundamental qualities that have shaped your company's identity.

**MH Equipment** (MH) is a partner that believes retaining and building on company culture drives future success. MH is a successful regional material handling solutions provider to top OEMs of new, used, rental and leased equipment, parts and service, and warehouse/allied equipment, representing some of the largest brands including Hyster, Yale, CombiLift, Genie, Skyjack and more. Since its founding in 1952, stewardship has been and continues to be a guiding principle for the entire MH Equipment organization when providing customer solutions. Headquartered in Peoria, Illinois, MH has 33 service locations across 10 states and employs more than 1,000 employees.

The recent acquisitions of **Mid-Iowa Solid Waste Co., Inc.** (Mid-Iowa) and **Armor Equipment** (Armor) provide exciting opportunities for MH to enter the environmental equipment dealer industry throughout the Midwest. Gaining additional resources to fuel growth momentum while still maintaining an employee-focused management approach was enticing to the owners of both Mid-Iowa and Armor, who were also attracted to the prospect of joining their respective businesses.

Jeff Firestone, president of Mid-Iowa stated, *"MH Equipment provides us the ability to expand customer service capabilities while allowing our staff to embrace the vision, mission, and values that MH is known for."* Mid-Iowa sells and services environmental equipment to municipal, contractor, and business customers across Iowa and Nebraska.



*"The culture and leadership of MH Equipment is a perfect fit, and our employees, customers, and vendors will continue to enjoy the benefits of the partnership far into the future,"* commented Armor Equipment president Tripp Manheimer. Armor Equipment will continue to operate from its current locations in the St. Louis and Kansas City metro markets.

Both Manheimer and Firestone will remain with the company and continue to lead their respective operations as separate business units.

MH CEO John Wieland shared, *"We are delighted to welcome two established, complementary businesses that demonstrate exceptional local service and support. They are truly experts in their fields with superior product knowledge, and we expect them to flourish as part of our team."*

*"MH Equipment was pleased to engage BCC Advisers,"* he continued. *"With limited distributors of this type of equipment in the Midwest, they were able to identify these opportunities and advise us on both transactions."*



## Explaining the Letter of Intent

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**5. Net Working Capital** – Defining the net working capital to be conveyed in the transaction can be a point of contention during negotiations. While the information required to calculate a specific target is not always available at this stage, defining the planned calculation approach in more general terms can avoid major issues later in the process.

**6. Exclusivity and Closing Requirements** – Buyers will request a period of exclusivity during which the seller cannot speak to other buyers. It is important to know the length of this exclusivity period, as well as the buyer’s requirements to complete the transaction (e.g. due diligence, quality of earnings, board approval, etc.). The most common exclusivity term length is 90 days, but it can be shorter or longer depending on the unique situation.

While the LOI is not the purchase agreement, and the finer details should be left for negotiation during the drafting of the definitive closing documents, it is still advantageous to address major deal points before both sides commit to investing more time and resources pursuing a closing. Having an advisor on your team with experience negotiating the LOI will enable you to focus on those items that are key to the transaction without getting bogged down in trying to define too much too early.

## *on the dotted line*

### Some Recent BCC Advisers Transactions:

Advised a custom rotational molding company on its acquisition by a large producer of custom and proprietary rotational molded products.



Advised an office equipment dealer on the acquisition of a large format custom sign company.



Advised a material handling service provider on an acquisition of a supplier of environmental equipment.



Performed a fair market valuation of an equipment leasing company for the purpose of a proposed stockholder redemption.



Advised a material handling service provider on an acquisition of a full-service environmental equipment distributor and maintenance provider.



Advised a roofing subcontractor on fair market value for a proposed acquisition.

## The Market Front

*Some opportunities available through BCC Advisers:*

**U.S.-based general contractor** - *is seeking a buyer.*

**U.S.-based clothing retailer** - *is seeking a buyer.*

**European-based manufacturer of healthcare equipment and services** - *is seeking acquisitions of the same.*

**U.S.-based IT services company** - *is seeking acquisitions of the same.*

**European-based molded parts manufacturer for automotive and industrial equipment** - *is seeking a buyer.*

**U.S.-based producer of food products** - *is seeking a buyer.*



*Wishing you the  
Happiest of Holidays!*



**Have an M&A topic you'd like to see in this newsletter?  
Send your request to [info@bccadvisers.com](mailto:info@bccadvisers.com).**