

How to get ready for M&A

Transcript

SPEAKERS:

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WADE KRUSE: Our clients, what do they need to do to prepare for an uptick? If they're looking to go to market or looking make that acquisition, they've been kind of put on pause here, either way for the last few months and maybe the next few months. To get ready, what do they need to do?

ELLIOT FINDLAY: I think what's really happened if we look at our clients' P&Ls, I think we've seen a softening of revenue and forecast. I think we've seen compression both in margin, and we've also seen I would say a significant increase in operating expenses across the board from people cost to advertising, professional services, across the board are up. So that's resulted in compression when we get to the bottom line. So what we've seen is a lot of our clients are working on, I would say, re-formulating their cost structure. They're also looking at what's performing in a group of products. I think they're deciding what's core and what's not. I anticipate that there will be some divestitures from our clients prior to even going to market. They're stripping off non-core assets. And then ultimately I think there's definitely a re-formulation of the cost structure and really trying to think about what the businesses need to go forward to fund growth.

WADE KRUSE: How do these companies prepare for that next step in terms of getting ready for diligence or performing diligence on an acquisition? That's what your team does all day long. What have you seen? What are the latest trends on the diligence front?

ELLIOT FINDLAY: Honestly I think it still holds true that prepared sellers drive value. And so thinking about it certainly from a client that's looking to sell their business, just being as organized as possible. And I think that sounds very simplistic, but ultimately when you see it in the marketplace, there are a lot of companies that are not ready for sale. And I think it's trying to look down the timeline of a transaction and thinking about, from an operational or financial perspective, what needs to be essentially either tidied up, refined or removed prior to a transaction? Because it's ultimately easier to resolve a lot of these issues prior to the commencement of a transaction rather than trying to negotiate them during a transaction. Things such as restructuring, opening of a

manufacturing line, closing of a manufacturing line, you name it, it's much easier to have it repositioned and in place so that we've got a true rendering of the performance of the business rather than trying to deal with it during a diligence engagement.

WADE KRUSE: Great. Thank you, Elliot. I appreciate your time today. Very helpful. I always enjoy our conversations. And thank you for joining us.