



What You Need to Know

About Unsolicited Offers and More

intrepidib.com | Mergers & Acquisitions | Capital Markets | Strategic Advisory | A subsidiary of MUFG Union Bank

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Many of our clients have received inbound interest before retaining Intrepid. Most of these inquiries include generic form letters or phone calls expressing “interested in your business” without specifics and should be ignored. Other times, an investment bank may call regarding one of their clients who has a specific interest in your company and provides some rationale. In these cases, it may be worth taking the step of assessing if the party they are representing is a logical acquirer. Finally, you may be approached by someone you know or who operates in your industry and if you agree there’s a potentially compelling fit it will be helpful to have a relationship with an investment banker to turn to for advice.



WHAT TO DO IF THE OTHER PARTY WOULD LIKE TO EXPLORE POTENTIAL INTEREST?

If you receive inbound interest from a credible party, this is the time to involve your trusted advisors (wealth planners, attorneys, commercial bankers, and accountants) who can point you to an investment banker to help you understand the potential value of your business, assess if this is the right timing for a sale, and inform you as to the credibility of a buyer, and/or if there are other logical parties you may want to speak to if you desire to sell your business.

SHOULD I SHARE INFORMATION WITH THE INTERESTED PARTY IF I GET AN INBOUND INQUIRY?

Sharing very brief financial information verbally to enable them to assess feasibility is OK. Still, typically it's better if you refrain from sharing too much information without a professional advisor at your side. Often, Intrepid is contacted by companies who have "overshared" or shared the wrong information or failed to properly position certain information and the result is the buyer loses interest or submits a very low offer. It's best to contact a banker at the earliest stages of the process, and ultimately if you choose to pursue a preemptive buyer, information flow should be properly staged and communicated through a professional advisor to maximize interest and certainty.

WHAT ARE SOME COMMON MISTAKES BUSINESS OWNERS MAKE WHEN TRYING TO ENGAGE WITH BUYERS DIRECTLY.

We've seen many mistakes when our clients have tried to engage with one or multiple buyers prior to retaining Intrepid. The biggest mistake is agreeing to a letter of intent or granting exclusivity before the buyer has done adequate due diligence. Doing so puts the sellers in an inferior negotiating position and puts the buyer in position to string along a seller or move at a very slow pace. Furthermore, granting exclusivity or agreeing to terms before a buyer really understands your business adds material risk that the buyer will change price and terms based on their findings during due diligence.

In an Intrepid-led process, we push buyers to complete significant due diligence and agree to material deal terms prior to granting exclusivity. We also typically have backup bidders waiting in the event a transaction does not close for whatever reason. Unfortunately, when you agree to move forward with one party who demonstrates inbound interest you forego these process benefits, often leading to tremendous frustration when months go by, and the buyer does not do what they said they would.

CAN'T I JUST WORK WITH MY LAWYER TO ADDRESS INBOUND INQUIRIES?

We've seen this common approach when clients are contacted by a buyer and choose not to work with an investment banker. They think they can save money by not paying a banker a fee. Unfortunately, while this short-sighted or frugal thinking may still result in a completed transaction, the seller will never know if they received maximum value for their company or if other parties or transaction structures could have resulted in a superior outcome for a seller.

The primary benefit of hiring a banker that does not exist with a lawyer representing you is that a banker can either conduct a process with multiple parties (something preemptive buyers try to avoid) or gain negotiating leverage by threatening a process if the buyer does not stretch on valuation or terms. We have had many examples where we improved valuations as much as 80% from the initial indication by a preemptive buyer by bringing other parties to the table or even raising that as a possibility. Sometimes, the initial buyer at the table significantly improves their offer, while in other cases, we bring new buyers who significantly outbid the incumbent at the table. None of this would happen if a seller worked with a lawyer and one buyer.



WON'T A BANKER SCARE AWAY MY INTERESTED BUYER?

In many cases, buyers approach companies directly because they want to catch a seller off guard or complete a transaction at a below-market valuation and without competition. Some will indicate that if you hire an investment banker and it becomes “an auction,” they will not be interested. The reality is if a buyer threatens you that way, either they are not a party you want to do business with, or more likely, they will still have interest even if you hire someone to represent you. In other cases, buyers will advocate that you hire a banker because they know you are a first-time seller, and an advisor can help them get to the finish line.

The right banker can add tremendous value to both the seller and buyer by vastly increasing the likelihood of a transaction closing. The banker needs to have the right touch and follow your lead on whether they are being hired to maximize value through competition or to help you get a transaction done with the buyer at the table.

CASE STUDY

HEALTHCARE TECHNOLOGY COMPANY



A healthcare technology company was referred to Intrepid after it had multiple discussions with a large industry acquirer. Prior to Intrepid's involvement, information was shared with the preemptive party who expressed interest in an acquisition at an attractive, but in our opinion, not market-clearing price.

Hearing that the seller was dealing exclusively with one party and knowing that there were other large strategic buyers who may see value, Intrepid recommended the client allow our team to approach a few additional buyers in addition to the preemptive bidder.

After preparing an executive summary and presenting it to four parties, the initial buyer decided not to pursue the transaction. However, one of the other bidders determined it was a strong fit and submitted a proposal and closed the transaction at an approximately 60% premium to the initial proposal of the preemptive party.

CASE STUDY

TECHNOLOGY PRODUCTS DISTRIBUTOR



A technology products distributor was in discussions with a party they knew very well and to whom they wanted to sell the company for several reasons. This was the seller's first time through a process, and after sharing information (but before Intrepid's involvement), they received a disappointing proposal from the preemptive party.

The company hired Intrepid to work with the bidder to help them see more value and consider a structure that adequately compensated the sellers for a fair market value for their life's work. After being retained and quickly performing due diligence, Intrepid determined that the seller had not properly communicated their financial performance and outlook and prepared a summary presentation to the buyer. We also shared that while we were being retained to assist in getting a transaction closed with the preemptive party, we were also preparing to talk to others in the event we could not reach an agreement.

Intrepid successfully closed the transaction with the preemptive buyer through several diligence sessions, negotiations, and the threat of competition, increasing the valuation by 20% and the upfront proceeds to the seller by over 50% while negotiating additional upside in the form of an earnout.

ABOUT THE AUTHORS

Gary Rabishaw is a Managing Director and Founding Principal of Intrepid. He has been involved in numerous domestic and cross-border transactions, including mergers and acquisitions, private equity capital raises and financing for companies spanning the consumer, industrials, healthcare, and business services sectors. He has been named one of the Most Influential M&A Advisors by the *Los Angeles Business Journal*.

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ABOUT INTREPID INVESTMENT BANKERS

Intrepid provides **M&A, capital raising** and **strategic advisory** services to **entrepreneurs** and middle-market companies in various **industry sectors**. Our heritage breeds a culture that embraces teamwork, tenacity and creativity to help **our clients win big**. We believe that every company has an entrepreneurial passion that drives it and a story that defines it. **Our team** delivers results through skillful positioning and relentless execution. Based in Los Angeles, Intrepid augments its international capabilities through its active participation in **Oaklins**, an exclusive global alliance of M&A advisory firms.

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