

## Buy-Side Mergers and Acquisitions Advisory Services

### Buy-Side M&A Advisory Services

Service Leadership brings in-depth experience and unique resources to companies seeking to acquire an IT Solutions company.

For nearly 20 years as operating executives leading Solution Provider companies, we performed acquisitions and integrations for ourselves. Service Leadership now offers this experience, as well as a dedicated M&A team and the leverage of our exclusive BestProspects© database of more than 18,000 U.S. Solution Providers.

### Why Buy Another IT Solutions Company?

IT Solutions companies buy other IT Solutions companies to gain competitive advantages and accelerate value creation for the shareholders of the Buyer.

### Returns on Investment

Buyers pay multiple times the annual cash flow of the acquired company, plus professional fees, integration costs and other transaction-related expenses. A successful acquisition delivers one or more returns:

- Continued growth of the acquired company itself,
- Add new services to cross-sell into the Buyer's customer base,
- Cross-sell the Buyer's services into the acquired company's customer base,
- Add new geography or bring an existing small geography to critical mass,
- Acquire vendor relationships,
- Acquire key intellectual property or processes,
- Acquire key people or customers,
- Utilize available capital.

Financial returns for successful acquisitions can be high, however the potential of good returns are accompanied by the potential of risk.

### Critical Success Factors

As with any strategic move, making an acquisition has risks. The greatest risk factor is in failing to properly integrate the existing and acquired companies, focusing too much on the deal and not enough on the coming together of people, customers and processes.

- Qualify each other on business model, vision and culture,
- Plan and execute a good integration,
- Over-communicate, and manage expectations,
- Allow time for people and customers on both teams to adjust,
- Ensure sufficient operating capital for both firms.

**Time Needed**

The table below shows the timing of a typical acquisition in the range of about \$1mm to \$10mm.

<b>Buy-Side M&amp;A Project Overview</b>		Legend:		S-L	S-L and Buyer	Buyer	Buyer and Advisors
Step 1 Objectives	Step 2 Search	Step 3 Term Sheet	Step 4 Sign	Step 5 Due Diligence	Step 6 Close	Step 7 Integrate	
Kick-off meeting Define acq. strategy	Prep. prospectus Prospecting Qualifying Pitch the opp'ty Short list	Draft term sheet Negotiate	Close Sign term sheet	Financial Operational Customer Employee Legal	Draft agreement Negotiate Sign Transfer	Employees Customers Processes	
Week 1	Week 10	Week 14	Week 15	Week 20	Week 22	3 to 12 weeks >>	
<b>Workload Budget</b>							
S-L & Buyer	S-L & Buyer	S-L & Buyer	S-L & Buyer	S-L & Buyer	S-L & Buyer	S-L (Optional) Buyer	

**Financial Commitment**

The Buyer should qualify him- or herself as to whether there are sufficient financial resources to carry out a successful acquisition and integration.

The consideration to the seller can be paid in cash, stock or some combination. Some or all of this can be paid on close or at some later date, and may be based on contingencies.

In addition, professional fees (M&A advisory, legal, financial) range from about 15% of the total purchase price for \$1mm deals to about 5% for \$10mm deals.

It's often prudent to project the revenue of the acquired firm, flat or slightly down in the quarter after acquisition.