

# VIEWPOINT

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## TOOLS & TECHNIQUES FOR PREPARING YOUR TEAM TO IMPRESS BUYERS

By Peter Alternative

*A critical driver of a premium valuation for a company is a competitive universe of qualified buyers. To keep multiple buyers interested and engaged, your management team needs to optimize every buyer interaction. In this Viewpoint, we discuss how to prepare your team to make a great impression from the outset.*

*First, it's important to understand that the mindset that has enabled you to sell your product or service is significantly different from the one required to sell your business. For instance, we often hear management teams assert that they do not have any competition. While that might fly for a prospective client, who interprets it as confidence, a prospective buyer would think either you don't know your marketplace or your marketplace is small or uninteresting. Mastering this new mindset can be particularly challenging for teams whose principals are first time sellers.*

To succeed at selling your company, you and your management team must learn how buyers think, including understanding the differing needs of strategic and financial buyers. (See April 2007 *Viewpoint*: "Private Equity vs. Strategic Acquirer") You must also be able to present your company in a way that matches the interests of each individual buyer. This requires having a strong focus and devoting significant time to preparation, but the result is more than worth it if you end up generating interest from multiple buyers.

### WHY THIS MATTERS:

- *Doing a great job at buyer meetings is the best way to grow the field of competitors for your company.*
- *A bad first impression is almost impossible to turn around, so doing the appropriate preparation is critical.*
- *Even seasoned deal professionals can benefit from doing prep work before meeting with potential buyers*

## WHAT DO BUYERS WANT

So what do buyers want to see when they sit down for a presentation by a seller? "We're hoping they will show us a cohesive story about their company," says Rod Johnson, Vice President of Corporate Development at Merrill Corporation, which has been an active buyer, completing six deals over the past three years. "We don't necessarily have to agree with their strategy or their assessment of the market, but we want to see that they've thought it through and have presented their company in a way that is thoughtful from their perspective. Unfortunately, out of every 10 presentations we see, there are at least three where we think they probably should have spent more time preparing."

Keep in mind that buyers are looking for reasons to say no. Perhaps as few as one out of every hundred potential deals they see comes to fruition, so buyers expect to turn down a lot of frogs before they meet the prince.

Because buyers rely heavily on first impressions to help them quickly separate the wheat from the chaff, making a strong first impression in which you arm buyers with lots of reasons to say yes instead of no is critical. Be prepared to tell each buyer how you will help them be more successful in the marketplace. The more relevant your pitch is to what the buyer is looking to accomplish, the more likely the buyer is to want to move to the next step with your company.

## HOW NOT TO MAKE A GOOD IMPRESSION

How do management teams go astray when trying to make that all-important good first impression? Here are some areas where problems often arise:

- **Lack of focus** - This is one of the most common problems attorney John Chu sees in the management teams at the
- **Lackluster presentations** - A lack of passion in the team's presentation is a potentially fatal flaw that Rod Johnson frequently sees. "Often we see a beautiful presentation book that's been put together by the investment bankers, but none of the business people can speak to it, or they may even say things that contradict what's in the book," says Johnson. "We end up seeing some pretty dry presentations. Some of that may be nerves, but often it's because the management team doesn't really 'own' the presentation book. Not only does the team have to be coordinated, but the presentation, and the written materials have to be consistent; if the company doesn't own the book, it will show."
- **Not knowing the buyer** - "Some sellers are focusing so much on presenting their own story that they don't do their

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- JOHN CHU, PARTNER, CHU, RING & HAZEL, LLP

entrepreneurial companies served by his Boston law firm of Chu, Ring & Hazel, LLP. "These people have a lot of things on their plate running the business, and sometimes they treat the sales or investment process as just another aspect of what's on their plate instead of prioritizing and putting concentrated energy into it," he says. "As a result, they come across in the initial discussion with buyers as unfocused and scattered in their thought process. This is particularly apt to happen when you have a very thin management team that is used to spending a little bit of energy on a lot of things. But that first impression is critical; it goes a long way in helping the buyer judge whether the company has been well managed and well run."

## ADVICE FROM THE TRENCHES

Here's advice from three CEOs who have been through the process of prepping their teams to put their best foot forward with potential buyers or investors. All three were advised by Mirus.

- **Chris Crane** sold his firm, Tradepoint Systems, a leading provider of customs compliance, international freight forwarding, import and export software solutions on both sides of the Atlantic. Crane had been on the buyer side of some 30 transactions before moving to the seller side of the table. "In the beginning I was afraid of consulting my staff and what their reaction might be," he says. "I think this is a concern for anybody who decides to sell a business. But once we got a strategy in place with Mirus, I decided it was okay to bring in my top management. They had been working with me for 20 years. I sat them down and talked to them about my motivation for selling. I talked about my vision, which was to find a buyer who was going to have longevity with the company, not someone who was buying it to rip it apart and sell it. I convinced them we would look for a buyer who would preserve their livelihood and the more they were part of that process, the more they felt comfortable that we were, in fact, going to find someone like that.

"My first advice is to do a lot of preparation, and, secondly, don't exaggerate anything. Sooner or later if you start to exaggerate or over-sell, unless the buyer is stupid, they're going to see it and it's going to sour the deal. People have a tendency when they're selling to tell you what they'd like it to be rather than what it is. I don't think it's wise to 'blue sky' too much because the buyer is going to see through you. Show what you've got, not what you wish you had. You have to know your own points of weakness and have answers for them, and the answers you have need to be truthful."

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own due diligence on the buyer," says Chu. "Certainly for a strategic buyer, you have to be able to show the value you'll provide once you're part of their company."

Understanding the buyer—their hot buttons, their pain points, and why they're looking to make an acquisition—is essential. There are many different types of buyers, each with different agendas and focus areas. If you don't know your audience well, you're bound to miss the mark with your presentation. For instance, a financial buyer is going to be much more interested in your take on the industry than a strategic buyer. Your top objective is to make your story relevant to the buyer's success. Also, having an in-depth knowledge of the buyer prepares you to craft appropriate answers for questions that arise.

Equally important is understanding the roles of the various buyer representatives sitting at the table with you. When questions are asked, consider who is making the query before answering. For example, a CFO and a CIO may ask the same question, but their reasons for asking it can be completely different, which means your response to each might be different.

- **Not speaking with one voice** – Another sign of poor preparation occurs when team members give different and

**"ANOTHER RED FLAG WE'VE SEEN IN PRESENTATIONS IS WHERE THERE IS ABSOLUTELY NOTHING WRONG WITH THE COMPANY... ANY COMPANY HAS BOTH OPPORTUNITIES AND PROBLEMS. WHEN YOU TAKE A DIRECT QUESTION AND RESPOND WITH ALL POSITIVES, THAT'S A RED FLAG.**

– ROD JOHNSON, VICE PRESIDENT OF CORPORATE DEVELOPMENT, MERRILL CORPORATION

possibly even conflicting explanations about key issues such as business strategy. If a buyer is hearing five different business strategies from five different team members, alarm bells are bound to go off.

Oftentimes buyers will look to isolate a certain team member to troll for information. Make sure all of your team members are singing from the same hymnal. If all your messaging doesn't sound similar, it reflects poorly on the company and how it's being run.

- **Presenting a "perfect" company** – "Another red flag we've seen in presentations is where there is absolutely nothing wrong with the company," says Johnson. "There is no

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- This summer, **Mark Kushinsky's** firm, Insight Direct, a field service management software firm, obtained its first infusion of institutional capital. "One thing I might work on a little better is coordinating between the management team so people don't 'over-speak,'" he says in looking back at the process. "You can't do anything once you're in the meeting and someone is talking for five or 10 minutes.

"In our first meeting with an investor, we had too many people from the management team in the room. It was more like seven on two, which wasn't an appropriate ratio; we quickly switched to three on one or three on two and then we brought other people in as needed. It's nice to have a meet and greet with your staff for the first 15 minutes of the meeting, so the investor gets an overview of your team and then you limit it to key players to do the presentation.

"Definitely getting practice up front is important because once we were two or three presentations in, it turned out to be more fun. We really knew this thing. Ninety-five percent of the questions from all investors are identical. You're answering the same questions and you can have a little more fun. Therefore, try to get a couple of unlikely investors first to practice on. Don't have the investor you really want come in first.

"One of the things that helped us focus on how much preparation we needed to do was having a mock presentation well in advance of when the real presentations were to start. This showed us how far off we were and was pretty critical. There's nothing like flubbing up bad to get you motivated!"

- CEO **Ken Dreyer**, who led the Eliassen Group senior team through a recapitalization transaction this summer, also found value in holding several rehearsals. "The rehearsals were very helpful," he said. "The way we handled the rehearsals was that at the end everybody gave feedback to everyone else on the team on how they could do things differently, such as emphasizing something more or emphasizing something else less.

"The other thing that we did well was to take an attitude of 'Instead of just presenting, let's find out what people really want to understand more about.' Different people focus on different things, and you have to be listening for that instead of just trying to get through your slides. You need to think of it more as a conversation and be responsive.

"I think taking that attitude becomes particularly difficult when, as in our case, we met with seven people within a couple of weeks. When you're going through the same thing seven times in a short period of time, it's easy to become jaded. But you really need to be focused each time as if it is the only presentation you're doing.

"The other thing that can happen is that people come in and don't make a good first impression on you, so you just go through the motions. You decide immediately that these are not people you want to work with. That's dangerous. You never know who is going to turn out to be the buyer, so you have to really be on top of your game each time."

opportunity for improvement and they have everything under control. That's just not honest. Any company has both opportunities and problems. When you take a direct question and respond with all positives, that's a red flag. Either they're clueless, they're trying to cover up, or they're just not being honest with themselves."

"It's important for management to look at the company and understand where the flaws are and to be prepared to address them head-on," agrees Chu. "With an intelligent buyer those issues are going to come out, so you need to be well prepared to hit those questions out of the ballpark."

Moreover, we recommend that you proactively raise business issues in your presentation and do it in a way that directly speaks to what you're doing to fix those problems. The primary benefits of this approach are increased credibility and more discussion time regarding strategic synergies as opposed to reacting to a buyer's concerns.

## ESSENTIAL TOOLS FOR GETTING IT RIGHT

A key job of an investment banker is to help you overcome the multiple challenges you and your management team face when presenting your company to potential buyers in face-to-face meetings and other direct interactions. Here is a sample of tools and forms of support you should expect to receive from your investment banker to help prepare you to make a positive impression with buyers:

- **Buyer scouting reports** – Well in advance of any presentation, you should receive a detailed overview of who the buyer is, what their meeting agenda is, what their hot buttons are, what deals have they done, and any other background information you need to tailor your presentation and relevant responses to questions.
- **Presentation template** – Most investment bankers supply clients with a template or example of a corporate

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– CHRIS CRANE, FORMER CEO OF TRADEPOINT SYSTEMS

overview presentation. Often times, Mirus clients use the template we provide and just insert their own information. Preparing the presentation is an iterative process in which the investment banker and the client both take part. As

stressed earlier, the key point is to 'own' this material so you can present it with the confidence and credibility that buyers expect to see in someone who has built a strong organization and is bullish about its future.

- **Post-presentation critiques** – After each session with a buyer, expect your banker to provide feedback on the good and bad points of your performance. Although sometimes uncomfortable to listen to, this critique should help you figure out how to do things better next time around.
- **Mock buyer meetings** – "Rehearse, rehearse, and rehearse again" should be your mantra when prepping to meet with buyers. In these mock sessions, the investment banker takes the role of the potential buyer, asking the tough questions that you can expect when you're face-to-face with a real buyer. These sessions should help you master the art of carefully listening to a question and clarifying its intent so you can tailor your response appropriately.
- **Sample buyer questions** – Look for your investment banker to come up with a set of sample buyer questions that includes the softballs and also the difficult questions. In some cases, teams prepare scripted responses that team members are expected to be prepared to deliver. This helps greatly in keeping everyone on the same page in their interactions with buyers.

## KEEP THE END GOAL IN MIND

By now, the process of preparing to woo prospective buyers may seem daunting. It should! There's no denying that it is hard work. But to give it short shrift is simply not an option. Make this work a top priority, expect strong support from your investment banker, and you'll make a strong first impression that's sure to pay off in the form of a motivated buyer pool.

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**Peter Alternative** is a partner at Mirus Capital Advisors, Inc. Mirus is a middle-market investment bank that specializes in advising companies in strategic mergers and acquisitions. By combining a proven process, industry and transactional expertise, creative thought, and personalized service, Mirus has completed hundreds of transactions for both public and private companies. Mirus is a registered broker-dealer and NASD/SIPC Member. For more information, visit [www.merger.com](http://www.merger.com).

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