

MAXIMISING VALUE

7 KEY BEAR TRAPS

1. WATCH THE BIRDIE

Keep your eye on the business and keep hitting forecast numbers. The most common reason for purchasers chipping away at the price is that vendors don't meet targets in the negotiation period.

2. TRANSPARENCY

One sure way of losing a deal or facing a price reduction during negotiations is lack of transparency. You need to give full and frank disclosure before offers are made.

3. STRESS

Watch out for a significant increase in stress as you try and juggle the input necessary in the process with the management of the business. It helps if you've planned it and your house is in good order, but in reality this is rarely the case. Hospital beckoned for one unfortunate client.

4. MOMENTUM

Keep momentum in the deal and the timetable tight. Purchasers are busy and will quickly lose interest if information is not available or if milestones are not achieved.

5. DETAIL

Get as much detail as you can in your Heads of Terms. A deal is not done until it is done and the balance of the negotiating position swings against the vendor once a purchaser has exclusivity.

6. HOUSEKEEPING

Business process documentation, organisation structures and such, may sound like management consultant speak but they can be "dealbreakers". A buyer recently pulled out of due diligence after just one day when the processes of an IT service client were thought not to be strong enough and this was deemed to affect the ability to scale the business.

7. CASH IS KING

Deals that look too good to be true often are. Be wary of offers with a high non-cash element. Shares can go down as well as up. Do not accept the highest offer when assessing bids, one has to consider the total package offered and also whether a purchaser will deliver!