**FIRST CALL**

Thank you for responding to my email/letter/communication. The reason I wanted to speak to you is that I am an investor, and looking to acquire a company in your industry. I am part of Opulentia Capital who are a global mergers and acquisitions firm and we have completed over 100+ transactions since our inception back in 2010.

I’m interested to know if you are looking at exploring an exit and sale from your business at the current time?

Perhaps you could give me a bit of background to the business.

Once you have the background you may want to introduce yourself further by explaining more about you, perhaps talking about Paul Seabridge as founder as they can see I am a best selling author, and more about the deals Opulentia have done over the years. If we had specific experience or already owned a business in this industry I would also highlight that here.

(Then I would ask a load of open questions, let them talk, you listen more than you speak, and build rapport. Some questions may lead you to ask specific questions not here as you probe further. The goal principally at this stage is to build rapport).

(Questions in the appendix to this document)

Thank you for sharing this information let me tell you a little bit more about us, the type of buyer we are, and how we may structure a deal. Then if you feel positive about that we can work out the next steps.

The first thing for me to say is that the reason we want to buy long established profitable companies in this industry is we want to use it as an anchor to grow principally through acquisition. Ideally we want to make tactical and strategic acquisitions in this industry to form a larger group. When you put companies together you can drive a whole host of benefits whether it be economies of scale, buying power etc.

We see ourselves more as a facilitator than an operator in that we bring the tools, resources and most importantly the capital to the table to enable a business to grow, working with the existing management team to grow the company. Its not about changing things, or trying to reinvent the wheel. We won’t be changing the name, we won’t be firing the staff (quite the opposite we are likely to hire more people as we grow) its about building upon an already well run, profitable and established company and taking it to the next level.

Let me tell you a bit about how we structure deals – there are many different ways to value a business, but I have found in my experience it really boils down to what you as a willing seller will sell for and what we as a willing buyer are prepared to buy for and whether they are aligned. Generally we tend to look at the profits the company is making, and then basing a deal on the most recent financials or perhaps taking a average over a period of time. We also look at the balance sheet to see what assets and liabilities we will acquire on closing and add these two things together.

We typically don’t pay all of the purchase price at closing, we pay a meaningful sum, but there will always be a degree of some staged payments. The main reason for this is that there is always a risk when there is a change of ownership that customers may go elsewhere, suppliers may get jittery and key staff could leave. We ask that you are involved in a handover of the business so we can protect this goodwill. The first part is to understand how you run the business, the second part is for you to hand over the relationships with staff, customers and suppliers gradually so its all done orderly and efficiently. Thus, whilst you may not need an incentive if you have a vested interest in that you haven’t received all of the money at closing and some of it is to be paid into the near future and or conditional on certain things, then you are more likely to stick around and help us work through the handover effectively.

There are other reasons too but we won’t get into that in todays conversation.

(The other reason is mainly to explain bank don’t like the SME space, they don’t lend to LBOs so we have to ask the Seller to be creative and take the role of the bank).

The next steps Mr Business Owner if you are interested to progress would be for us to put in place an NDA / confidentiality agreement. This enables us to share information between us. Once that’s in place we can arrange a more detailed discussion.

Shall we organise an NDA after this call? I can have it emailed to you, or if you have your own version you would prefer to use, we are happy either way.

(You want to close them for when they will review the NDA, get it signed and sent back, and organise a further call before you leave this conversation, I would do this by saying:

If I get an NDA to you later today, when do you think you can review it and return it? (Usually this would be quite quick maybe a few days).

(Once you have timeframe I would say)

So lets aim to have the NDA signed by us both by XXXXXXX day, then perhaps you can suggest a convenient time for us to meet on Zoom/Teams for a virtual meet and discuss things further. With an NDA in place we can get into a bit more detail.

**Open Questions**

* Perhaps you can give me a background on the business?
* Can I ask are you in a process to sell the business, engaged anyone to assist you in that process, or is this one of the first conversations you have had in this regard? (You want to ascertain whether they have an advisor / expectation of process, or whether this is all new and you may need to educate them on the process).
* If they have done something about it I would ask the following questions:
	+ Have you received much interest / any offers?
	+ Why did you not accept any of those offers?
	+ What feedback have you had?
	+ How long have you been in this process?
* When you sell the business is there someone already in situ that can take over from you or do you think a new owner would have to take your place or recruit someone ?
* Have you given thought to how long you may be prepared to be involved in a handover ? [Then maybe tell them how we work to set expectations after the answer] …. Normally we ask a business owner to do a 6-12 month handover – first off we learn the business from you, then we spend time building the relationships with staff, customers, suppliers, so initially this could be full time, but as time ticks on the reliance on you becomes less and less so usually in the 7-12 month period it may be a weekly meeting or regular phone calls rather than being operationally involved in the company
* Aside from the financial components of a deal is there anything else that’s important to you in a deal? [really you are getting at what they want from a buyer – safe pair of hands, won’t fire staff, won’t change stuff too much]
* Have you given thought to what you may want to sell the company for? [they may not offer you a specific number but its worth asking]
* What timescale have you got in mind to sell the business? [again you can educate them that whilst you appreciate it’s a big decision and not going to be entered into lightly, you are serious and if we agreed something would want to work in a timescale of a few months from offer acceptance to completion]

**SECOND CALL**

Really it’s a repeat but in more detail of the first. You should be listening more than speaking.

There are some key messages you want to get across which you can do after you ask a specific question.

Other questions could be:

THE BUSINESS

* Who are your main customers?
* How long have you done business with them for?
* Who are your main suppliers?
* Who are the key people in your management team? How long have they worked for you? Are there any gaps in experience or skills within the management team that we may need to plug?
* What does the future pipeline look like/ long term contracts / business you are about to win?
* Do you have an inhouse accounts department? What does that look like? Or do you work with an external accounting firm?
* Where do you see the growth opportunities for the business for a buyer?
* (You could ask many many more questions but you want to ensure you listen, probe further, but don’t sound scripted or that its just an interview – complement them on answers / things they say or give insight and show interest.)

THE MOTIVATION

* Why is now the right time for you to sell the business
* What do you want to sell the business for?
* Have you given thought to what you will do with the proceeds of the sale?
* Do you need a certain amount at closing for anything specific?
* Have you looked at or do you think you may invest some of the proceeds of the sale for passive income? If so, what on? What sort of returns do you expect?

**Valuation & Deal Structure**

When we spoke last time you mentioned you had given some thought to what would make the deal work for you from a practical sense. I just want to dive into how we can get to a point were we can make you a financial proposal. The way we would normally structure something would be to look at the profits of the company, usually we take EBIT or EBITDA (earnings before interest and tax, or earnings before interest tax depreciation and amortsiation) either most recent, or an average and we apply a multiple to that. Then we look at the balance sheet and see what assets and liabilities we would acquire on closing. We add these two things together to give us an overall purchase price that we would present to you. In order to get to that point now we have an NDA in place if you were able to share some financial information with us we can give you a ballpark idea of what we think that looks like. It won’t be a formal proposal, but means we can have the whole financial conversation early on in the process so if we are not aligned on this then neither of us waste each others time if we can not get past that financial component. Would you be happy to share some information so we can give you this ballpark?

**Deal Structure, Justifying Deferred Payments and succession planning**

You mentioned you have someone already in place that can take over from you.

OR

You mentioned that you do not have anyone able to take over from you and we would need to take over from you or recruit someone.

I mentioned last time we spoke to when we structure a deal we never pay all of the purchase price on completion because there is always a risk when there is a change of ownership that customers can go elsewhere, suppliers get jittery and maybe key staff don’t like the new owners and leave. We don’t want any of that to happen so even if there is someone in place running the business we would want you to be involved to ensure an orderly handover. If there wasn’t someone in place we would work with you to identify a successtor and have you involved in helping us select the right person. With some of the purchase price left to be paid this gives you a vested interest in helping ensure we protect this goodwill together so we can build upon your legacy.

**Deal Structure & Funding**

I think its important to tell you also how we structure the deal legally and how we fund it. Firstly we use a LLC/LTD company that I will be a shareholder of. That company will then buy the shares (in US referred to as Stock) of your company and it will sit as a wholly owned subsidiary. There will be two elements of funding to the deal. Firstly we will inject new debt into the holding company and your company which will provide the initial payment on closing.

The second part is any element of seller financing / deferred payments that will be structured with the appropriate loan note and security.

**Timescale**

We are keen to proceed so if we get to a point were we are in agreement on a deal structure we normally take 3-4 months from negotiating a deal to completion. During this period of time we need to undertake due diligence. Our due diligence isn’t too laborious in that we give you a checklist of information requests and you provide it to us in a secure data room. We can review this remotely. This goes as quick as you can provide us with information. This is normally covering legal, financial and commercial aspects. Lawyers are engaged to draw up the contracts and legal paperwork and we raise the funding . All these things run concurrently and typically take 3-4 months to conclude. We find that its best to work together proactively to work through this process swiftly and efficiently as no one wants either party to drag their feet.

**Objections**

**Valuation**

Just reiterate the willing buyer / seller.

SME’s are high risk, lot dependent on the owner.

Research from Harvard Business school shows avg sale price 2.5 x and most listed for sale don’t sell.

**Not enough upfront**

This objection and the next 2 relate to not trusting you will pay them, so focus on trust and relationship and track record

**Deferred payments too long**

**Security for Deferred**

**Handover period**

Usually most willing to give it the time and attention required but if there is a specific requirement for them to leave sooner try to understand why (health reason for example) and how you can work with that.

When presenting an offer the reason we ask them about what they want to do with their proceeds , whether they will invest it etc. is so you can position it:

* So Mr seller you told me you needed an amount at closing to cover XXXXX (pay off the mortgage, help the kids out, buy a holiday home whatever they say) – I have a proposal that gets you that.
* So Mr Seller you told me you will invest some of the proceeds into xxx (buy to let / property investment / give the money to your financial advisor) in my deal structure I have a simpler investment for you to consider which gives you a better return of x. (then you can explain instead of investing in property and dealing with complaining tenants or complicated financial advisor stuff, you will pay them $x per year in fixed payments with a coupon interest rate of x% higher than they suggested they can get and they don’t have the hasle and only have to deal with you). This then makes the arguments around wanting the deferred paid sooner usually renderless because you are saying you will get them a better return and you have got them the money they need at closing for the things they want the money for like paying off their mortgage etc.