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By Jürg Kurmann

"Homework" for an optimal sales process

If one or more of these points is not a given, the objective and/or perceived risks are likely to rise significantly, potentially decreasing the price or even leading the buyer to back away from concluding the transaction. As our experience shows, owner-managed companies in particular tend to have significant catch-up and preparation needs.

1. Owner independence
2. Clearly defined business relationships, with contracts in place with strategic partners
3. Well-kept accounts with detailed controlling data
4. No dependencies on large customers, single products or individual employees
5. Well-structured and documented processes

Owner independence: every entrepreneur personally molds their company. When an owner sells their company, this leads to a fundamental if not disruptive change for the employees as well as for the business partners. This new and unexpected situation may put into question a years-long loyalty to the company and prompt stakeholders to evaluate other opportunities. If the owner has been managing the day-to-day business himself, the risks are especially high; in most cases the new owner will not be able to assume within a short time the heretofore strongly owner personality-related operative management of the company.

Hence it is of key importance that, prior to the sale of a company, a qualified owner-independent management is put into place, with the owner retracting into a role as shareholder and Board member. Once the operative management of the company is truly owner independent, the risks of an ownership transfer that objectively exist are strongly reduced.

Clearly defined business relationships, with contracts in place with strategic partners: with most mid-size companies their business relationships have grown organically and are strongly based on individual relationships, often with little formal documentation since these are based mainly on trust. So that an interested potential buyer can rely on the continuity of the relevant business relationships, it is important that the existing informal business agreements are put into written contracts, ideally in such a manner that they protect the buyer for a longer period after the handover against negative changes of the terms. This also will significantly reduce the risk situation for the buyer.



Well-kept accounts with detailed controlling data: of course the financial accounts of mid-size Swiss companies meet the formal requirements of the Swiss code of obligations. As is well-known, these basic requirements do not provide a "true and fair" picture for an adequate assessment and management of the company. The absence of meaningful, detailed financial controlling data and of visible continuity in the accounting principles makes



it difficult for interested potential buyers to reliably interpret how cash flows and profits are generated accurately period by period. These analyses are a key requirement in order to assess the future earning power of the company. A lack of transparency in the financial data leads automatically to a high risk imputation and can generally undermine confidence in the reliability of the valuation basis.

No dependencies on large customers, single products or individual employees: if, for instance, 20 percent of the revenues are achieved with a single customer or a single product, this constitutes a valuation-relevant risk concentration. In most cases this risk cannot be corrected soon enough before a company sale. On the other hand, the risk of a dependency on individual employees can and should be minimized through appropriate measures (purposeful development of other employees,

knowledge management and customer contact system).

Well-structured and documented processes: also, a mid-size company constitutes an aggregation of multiple business processes. A meaningful documentation enables the potential buyer to understand the company and to assess potential operational risks. It further enables the potential buyer to better assess the effort and risks of the integration. Without a comprehensive and detailed documentation the buyer may suspect more risks than actually exist, leading them to pay a lower price.

Optimal prerequisites in the above points considerably support a high price and thus the related preparation time and effort are well invested. Even if there is no actual sales intention, it is worthwhile for any entrepreneur to ensure that their company meets these conditions.

IMAP again recognized as a leading worldwide M&A network

IMAP, the global organization of leading owner-managed M&A consulting firms, has again been recognized for its strong performance in the mid-market in 2012.

According to the league tables published by Thomson Reuters for 2012, IMAP, with 200 transactions, was ranked third worldwide based on the number of transactions with deal values of up to US\$200 million. For transactions with a European party involved, IMAP was ranked fourth, with 139 transactions. For a further year, IMAP's performance in the middle market surpassed that of other network organizations, such as Grant Thornton or M&A International, and major banks and accounting firms like Lazard and Ernst & Young.

Kurmann Partners has been the exclusive IMAP partner in Switzerland since 2002 and is represented on the IMAP Board of Directors. With IMAP's focus on the mid-market, and a global presence comprised of leading local partner firms with integrated processes, we offer our clients made-to-measure support with local contacts and expertise on a worldwide scale. Please contact us for further information.

Any European Involvement			Worldwide		
Rank	Advisor	Deals	Rank	Advisor	Deals
1	PWC	214	1	KPMG	333
2	KPMG	213	2	PWC	328
3	Rothschild	149	3	IMAP	200
4	IMAP	139	4	Rothschild	190
5	BDO	109	5	Deloitte	177
6	E&Y	91	6	Lazard	169
7	Deloitte	89	7	Morgan Stanley	159
7	Grant Thornton	89	8	BDO	157
9	Lazard	84	9	M&A International	153
10	M&A International	79	10	Houlihan Lokey	151

Source: Thomson Reuters

Ongoing projects

Selected sales projects from our portfolio

GE-AT-CH	Developing and manufacturing company with leading, patented products in the field of food intolerances. Worldwide distributors.
GE	Manufacturer of high precision metal parts for the automotive industry. Very profitable and with an international organization. Customers are major carmakers and tier-1 suppliers.
RU	Leading manufacturer and distributor of confectionary and candy products serving wholesalers and retail chains. Revenues in the range of EUR 40 million.

Our customers are interested in acquisition possibilities in these areas

CN	Technology company in the area of energy management and services for power plants. Sales in the range of CHF 5 - 50 million.
CH, EU	Specialized component manufacturers with strong growth and high profitability in laboratory automation and sensor technology.
CH, EU, LATAM	Pharmaceutical products (Rx, OTC, Nutraceuticals) or manufacturers/distributors).
CH	We are looking for companies with sales of CHF 10 to several hundred million in various industries for management buy-ins.
CH, GE, AT, FR, BENELUX	High-margin convenience food company with a leading position in its segment.

What is your company worth?

As a simple, rough method for assessment of a company's value ("enterprise value," i.e., including financial debt), so-called market multiples can be used. For Swiss companies, lower taxes and cost of capital generally lead to higher multiples than abroad. At the same time, it should be noted that specific niches of the relatively broad industry categories listed below can differ substantially and that a professionally-led sales process can yield prices which significantly exceed these published market multiples.

Branche	Size Category							
	Turnover <€50m				Turnover €50m to 250m			
	EBIT-multiple		Turnover-multiple		EBIT-multiple		Turnover-multiple	
	from	to	from	to	from	to	from	to
Consulting Services	5,6	7,7	0,57	0,95	6,4	9,0	0,65	1,06
Software	6,4	8,3	0,75	1,14	7,1	9,1	0,83	1,29
Telecommunications	5,5	7,7	0,62	1,00	5,9	8,0	0,66	1,09
Media	6,1	8,0	0,64	1,10	6,9	8,8	0,74	1,19
Trade and E-Commerce	5,5	7,8	0,55	0,96	6,3	8,8	0,58	1,06
Transportation, Logistics and Tourism	5,0	7,2	0,47	0,88	5,9	8,0	0,56	0,96
Electrical Engineering and Electronics	5,4	7,1	0,61	0,94	6,0	8,0	0,69	1,04
Vehicle Construction and Accessories	5,0	6,9	0,42	0,71	5,5	7,3	0,44	0,77
Machine and Plant Construction	5,5	7,3	0,55	0,84	5,8	7,8	0,58	0,98
Chemical Industry and Cosmetics	6,1	8,1	0,57	0,88	6,8	9,0	0,66	0,99
Pharmaceuticals	6,4	8,7	0,74	1,34	6,8	8,6	0,81	1,49
Textile and Clothing	4,7	6,4	0,44	0,69	5,5	7,4	0,51	0,81
Food and Alcohol/Tobacco	5,3	7,1	0,51	0,88	6,1	8,4	0,57	0,99
Gas, Electricity, Water	5,8	8,0	0,58	0,90	6,3	8,6	0,70	1,07
Environmental Technology and Renewable Energy Sources	5,1	7,2	0,59	0,98	5,8	8,0	0,67	1,07
Construction and Craft	4,0	5,5	0,38	0,58	4,9	6,3	0,44	0,67

Source: FINANCE Magazine, January 2013. More on multiples at www.finance-magazin.de.



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About us

Kurmann Partners is an independent M&A and strategy consulting firm, specialized in medium-sized companies. We structure and direct the process for the sale of companies, develop and implement growth through acquisitions, and consult on value-enhancing strategies.

Since 1987, we have conducted more than 100 transactions, most of them across borders. As the exclusive Swiss member of IMAP, the largest organization of independent M&A companies worldwide and with over 400 consultants in 30 countries, we have local resources, contacts, and knowledge at our disposal worldwide. All of our partners have their own company experience and can, for this reason, also develop practical solutions even in complex and demanding situations, and implement them together with the customer.

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**We create
and realize value
for our clients.**

