

Buy-Side FAQs: Buying a Mid-Market Business

I want to acquire a mid-market business. What are the major steps or milestones?

- Sign a Non-Disclosure Agreement – NDA (usually provided by vendor’s M&A advisor);
- Obtain and review Confidential Information Memorandum – CIM;
- Submission of non-binding Letter of Intent – LOI;
- Negotiate Purchase and Sale Agreement – P&S (W5 will draft initial agreement);
- Buyer obtains independent legal advice – ILA;
- Buyer conducts due diligence (full review of business records and contracts);
- Closing

I want to submit a letter of intent (LOI), what should it cover?

The LOI (once accepted by the vendor’s M&A advisor) is the first step in a series of negotiations and is the point which an interested party is regarded as a serious buyer.

The LOI is a non-binding document that buyers use to state their interest in purchasing the business by outlining in general terms the offer they are considering. The LOI outlines binding terms and conditions under which the buyer is prepared to negotiate a binding purchase and sale agreement (P&S).

An LOI should outline:

- The price you are prepared to pay (subject to due diligence);
- Whether you are offering to purchase shares or assets;
- How you intend to finance the purchase (cash, financing, other?);
- A deadline that a P&S agreement should be finalized by (14-21 days);
- Your proposed closing date;
- A deadline for acceptance for the acceptance of the LOI;
- A refundable deposit (payable to W5 in trust).

When should I speak to my bank about purchase financing?

- Buyers should have a strong sense of their financial capacity to acquire a business in advance of tendering an LOI;
- Meet with your commercial bank who will discuss this with you generally;
- Once under NDA, make certain the M&A firm and or NDA permits you to discuss/share the information contained within the CIM with your banker.

How do I find out about businesses that are for sale?

If a buyer is not targeting a specific business or sector, the best way for buyers to become aware of business that become available for sale is to contact M&A firms such as W5. W5 maintains a database of qualified buyers. We typically record the following information to better understand the business opportunities that would be appropriate to speak to you about:

- What is the range of business valuations that you would consider for acquisition?
- Describe the market or geographic boundaries you wish to stay within.
- What are the business sectors that you are interested in?
- Are you wanting to provide management and control over operations?
- What are the types of business you would not consider?