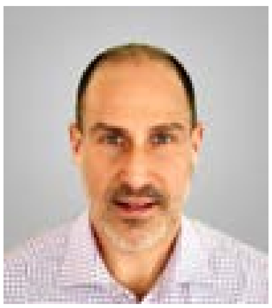
Jason Sobol on Business Transaction Planning



Editor's note: Jason Sobol is a Senior Managing Director of Media and Information Investment Banking at Evercore and the Co-Head of U.S. Advisory. He focuses on advising companies in the information and media sectors, and in the past year he has advised Clarivate on its merger with CPA Global, IXL Learning on its acquisition of Rosetta Stone, Red Ventures on its acquisition of CNET, RetailMeNot on its sale to J2 Global, and Comscore on its equity raise from Charter Communications, Qurate Retail and Cerberus.

Q: Jason, many of our readers have built businesses of their own, not dissimilar from the many founder-owned businesses in your industry sector. How would you suggest that they think about an eventual exit?

A: The right time to sell a business to maximize value is when the stars align around four primary factors: market conditions, industry dynamics, buyer strength, and business momentum. Obviously, we spend a lot of time discussing the first three with our clients, but those are out of our clients' control. The business trajectory is in a company's control and is a key determinant to optimizing when a business enters a potential sale transaction process.

The design of that process should be customized to the particular objectives of the founder-owner. Typically, most owners want to maximize value, speed of process and certainty of transaction closing. With family founder-owned businesses, we also appreciate the importance of legacy as an additional objective, which can have its own intrinsic value to a family-founder, and can influence both the optimal timing of a transaction and the process structure itself.

Q: What do you mean by legacy in this context?

A: For founder-owned businesses, legacy can include estate planning, employee protections, political, succession objectives or other considerations (the founder may have preferred buyers in mind, for example); a whole set of objectives beyond the dollars. For example, let's take succession: Many founders wait until they feel done – ready to sell and completely retire. If that founder is also an active CEO, any buyer paying a premium value for the business is probably going to expect the founder to have some "roll and role" – reinvesting equity into the transaction and also sticking around in some capacity for a period of time for an orderly succession transition. Founders should take such considerations into account when optimizing the timing of a sale process.

Founders may have a bias to certain strategic acquirers as the perfect home for their business, customers and employees. This criteria may warrant a customized process that engages with certain strategic buyers sequentially versus simultaneously with other financial and strategic acquirers.

$100 MILLION

The universe of data and media companies

As a result, legacy and founder-specific objectives have profound implications on both the timing and structure of a transaction process.

Q: Does that mean founders often leave business transaction planning too late?

A: Correct. It takes planning well in advance to optimize the outcome. That's why we are always talking to founder-owners about where they are in their succession curve, as well as helping them understand the market dynamics and sensitivities of potential buyers. If a founder-CEO wants to completely exit the business, such a business owner should either execute the succession plans well in advance of a transaction or prepare to do so for some period of time after a transaction. Leaving that risk to a buyer could have profound implications on the achievable value for the business.

These can be hard conversations, but the interplay between process timing and valuation is important. We really get to know our clients very well to advise on such personal dynamics, and wealth management has an important role to play in that process as well. That's another workstream that should be started well in advance of a sale, to include the seller's estate and tax structure as part of the overall plan.

Q: It sounds like you have a lot of experience in these transactions in your industry sectors.

A: The information and media industries are remarkably fragmented and full of family-founded businesses. There are a lot of data or media companies out there, many with less than $50 million in revenue. At the core of these businesses is content or data – information that engages consumers or informs professionals to make decisions. That content or data is scalable, created once and provided to many. With inherent fixed costs to media and information businesses, such companies have intrinsic operating leverage and compelling financial profiles with stable cash flows. Not surprisingly, such businesses are coveted by both private equity firms and strategic buyers. Our advisory work and the transaction processes we design for these types of businesses have to align with the specific objectives of founder-led businesses – often a combination of maximizing value, deal certainty, speed of transaction and legacy factors.

With the world today increasingly driven by information and disruption from technologies that facilitate real-time decision-making based on data, this is one of the most exciting times in this space. So yes, we have seen a lot of deals, and we expect to see a lot more.

Evercore Wealth Management and Evercore Trust Company, N.A. are part of Evercore. For further information on transaction planning at the firm, please contact Evercore Wealth Management and Evercore Trust Company CEO **Chris Zander** at zander@evercore.com.

Evercore | Wealth Management
Trust Company

THE NEW STANDARD IN WEALTH MANAGEMENT

NEW YORK
55 East 52nd Street
New York, NY 10055
212.822.7620

Jay Springer
Partner
212.822.7621
springer@evercore.com

MINNEAPOLIS
150 S. Fifth Street, Suite 1330
Minneapolis, MN 55402
612.656.2820

Martha Pomerantz
Partner
612.656.2821
martha.pomerantz@evercore.com

PALM BEACH
515 North Flagler Drive, Suite 702
West Palm Beach, FL 33401
561.812.1010

Michael Cozene
Partner
561.812.1010
michael.cozene@evercore.com

SAN FRANCISCO
425 California Street
Suite 1500
San Francisco, CA 94104
415.288.3000

Keith McWilliams
Partner
415.288.3010
keith.mcwilliams@evercore.com

TAMPA
4030 Boy Scout Boulevard, Suite 475
Tampa, FL 33607
813.313.1190

Julio Castro
Partner
813.313.1192
julio.castro@evercore.com

WILMINGTON
Evercore Trust Company, N.A.
300 Delaware Avenue, Suite 1225
Wilmington, DE 19801
302.304.7362

Karen Francois
Chief Fiduciary Officer
302.304.7361
francois@evercore.com

EDITORIAL AND MEDIA
Aline Sullivan
Editor
203.918.3389
aline.sullivan@evercore.com