M&A Advisory

Transaction Readiness: Preparing for an M&A event

James Thompson, Managing Director

PRESS RELEASE | NOVEMBER 2022

Alexander Hutton has been helping business owners for over 37 years, and one thing has always been true: successful, resilient businesses are highly sought after by buyers. Companies with loyal customers, exceptional management and strong margins will have many options to consider in the M&A market.

James Thompson
Managing Director

It often takes years of preparation to appropriately position a company to the buyer universe. This preparation will impact all functions of the business including legal, finance, marketing, supply chain and human resources.
A business owner will need to consider the following:

Does your business have high customer concentration?
Does your business have risk in its supply chain?
Is there a strong team poised to operate the business post sale?
Does your business maintain consistent profitability?

M&A valuations are highly dependent on risk. The higher the perceived risk, the lower the valuation.

At Alexander Hutton, we often get involved 12-24 months ahead of a transaction through our Strategic Advisory Services. As former business operators that have built and sold companies, we work with entrepreneurs on strategy and tactics to increase value in the eyes of an acquirer. Examples include:

- A technology company that was in the process of transitioning from enterprise licenses to a Software as a Service (SaaS) model. We advised on the placement of a key executive who has been an integral part of repositioning the product offering and pivoting overall company strategy. The company's SaaS revenue has grown considerably as a result, leading to a significant increase in valuation.

- A home services company that was outsourcing a core business line. From previous transactions in the home services industry, we had learned that buyers preferred companies that owned the customer experience from beginning to end. We advised our client to bring this business line in-house, which drove an increase in revenue and EBITDA and ultimately boosted purchase price.

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- A niche technology consulting company with a meaningful portion of its revenue consisting of a legacy offering. Based on our knowledge of the buyer universe for tech consulting companies, we provided the client with clear revenue, headcount and margin targets that would make the company more attractive to acquirers. This resulted in the owners shifting focus from their legacy offering to new, higher margin services.

Our clients have often spent decades of their lives building their company. Those who implement a strategic plan to drive value months or years ahead of a sale will achieve the most favorable valuations. This is especially vital for owners who may want to “roll equity” with a financial buyer and benefit from a second sale in the future. At Alexander Hutton, we believe that a good transaction requires alignment from buyer and seller on price, structure, and cultural fit. Whether or not you choose Alexander Hutton, it is never too early to speak with a trusted M&A advisor and ensure that you are preparing your business for a successful exit.

If you are interested in learning more, contact James Thompson at jt@alexanderhutton.com or at (206) 852-6359.

ABOUT ALEXANDER HUTTON

With 220+ completed transactions, we are a highly established middle market investment banking firm with deep relationships in the Northwest. Since 1986, we have advised our clients with the skill of seasoned investment bankers and the empathy and understanding of former business operators. Our clients are in a variety of industries that reflect the Northwest’s worldwide expertise in manufacturing, technology, services, healthcare, & logistics. Alexander Hutton is a very proud member of the Northwest region and puts great value in our local connections and nuturing our community from all levels of our firm.