For Sale by Owner: Seizing Opportunities in a Seller’s Market

Bryan Brewer
Peter Eyre
Karen Hermann
Current Trends and Predictions for 2015

• 2014 announced deals up 25% over 2013; expectation that 2015 will continue that trend
• Private equity backed strategics remain active – as both buyers and sellers
• Credit markets remain friendly
• Priority areas still: health, cyber, intel, big data and cloud migration
• Traditional primes continue to shed non-core assets
What do Buyer’s Need to Know?

- More auction processes
- More potential buyers, so potentially higher valuations, particularly in priority sectors
- Indemnity caps are trending lower
- Decreased appetite for deep-dive diligence
- More pressure on deal timelines means less time for integration planning
Transactional Risk Insurance

• Increased use of Transactional Risk Insurance, even in the regulated industries

• According to one industry broker (Marsh):
  – 2010: $387 million in policy limits / 25 transactions
  – 2014: $2.73 billion in policy limits / 130 transactions

• More buy-side policies (approx. 90%) than sell-side policies
Insurance Considerations

• Not useful for “known” risks
• Must meet underwriter’s requirements
• Underwriters will review diligence process, including diligence reports prepared by outside counsel and accounting firms
• Consider binding the policy at signing, rather than at Closing
Integration

• Greater focus on “business” due diligence – continue to proactively monitor data room access
• Review the target company’s non-compete and exclusivity obligations
• Consider corporate culture and structural integration
• Review key personnel clauses and consider implementing a retention plan
• Carefully evaluate requirements of post-Closing integration activities: novations, change-of-name agreements and government approval of IT systems