

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

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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