What to Do When the Time Comes

Worldwide M&A options for middle market suppliers in the flavor and fragrance industry

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Let us begin with a scenario. You—or your family—have built a company from humble beginnings into a successful middle market supplier in the flavor and fragrance industry based on excellent products, customer service and fault-free delivery. Over the years, you have seen the industry change. Competition has become fierce, margins have been squeezed, regulatory requirements are ever-increasing, and production automation is becoming a must. Now the "big boys" (the large, international flavor and fragrance companies) are taking away clients you have nourished and grown with over the years. Core supplier lists have become more common practice among large customers and have left smaller, middle market suppliers stranded. Middle market suppliers do not have the capital for all the R&D commitment, market research, production automation and "rebate" discounts, not to mention international production capabilities.[a]

[a]Full disclosure: The authors of this article have worked with both large and middle market companies in the industry, including some that are mentioned herein and in a previous article.[1]

The Big Picture: Overall Dynamics in the Industry

The years 2008 and 2009 were difficult. The economy came to a virtual standstill at the end of 2008 after the fall of Lehman Brothers and the financial crisis that followed. Suddenly, customers were destocking and orders fell off abruptly. Since then, customers have begun to regain confidence and have largely restocked, leading to significant growth rates in late 2009 and in 2010. That led to a good year and substantial growth rates in the industry, in some cases in the double-digit percentage range. Unfortunately, the rebound is mostly behind us. Growth rates in consumer products in mature markets—primarily Europe and North America—are back to normal, at best, which typically means low single-digit growth rates unless suppliers are

First Person: Sozio-Alpine Deal Boosts Global Strategy

J&E Sozio's (Paris) recent acquisition of Alpine Aromatics (Piscataway, New Jersey) has grown the company's global reach through a wider variety of products for the personal and home care, and industrial and institutional cleaning industries. The move adds to J&E Sozio's existing production and support facilities in France and Hong Kong, and will support growth in global markets such as Latin America.

"Both companies share the same family-owned values and customer service orientation," notes Frederic Braud, general manager of J&E Sozio. "Alpine has a strong reputation in the US market, and J&E Sozio is very internationally driven, so the companies complement each other very well."

Braud notes that Alpine's proximity to J&E Sozio's facility in Edison, New Jersey, helped make the acquisition an attractive option. "We are moving our facilities to the Alpine facilities. That factory is 45,000 sq. feet, approximately triple the size of the current J&E Sozio facility, and moving in there will allow us greater manufacturing efficiencies," he says.

Sozio alpine aromatics international inc. *Discover a New World of Fragrances*

Braud notes that the companies will combine their internal marketing, R&D, perfumery and regulatory resources. The acquisition will also improve J&E Sozio's raw material purchasing power. "Sozio's short-term goal is to become a worldwide, key player in the fragrance industry and to quickly reach $50 million in sales," Braud explains. "We want to do this while still maintaining our high level of customer service, and this acquisition will help us do that."

— *Abby Penning, associate editor,* Perfumer & Flavorist *magazine*

Join the Conversation

The authors of this article have had their say regarding growth prospects for middle market F&F suppliers. We'd like to hear your thoughts—experiences, insights and thoughts on the authors' point of view. Join the conversation at *www.linkedin.com* (group name: Perfumer & Flavorist (P&F) Magazine).

catering to new business segments such as healthy foods. There is no reason to believe that growth rates in basic consumer products will increase significantly in the near future. In order to achieve higher than industry growth rates, companies will need to take business from competitors or buy and consolidate a competitor. Growth rates will be higher in emerging markets like Asia, but middle market suppliers in America or Europe are unlikely to profit from this unless they have the capital (and risk tolerance) to expand into those markets.

Over the last two decades, the flavor and fragrance industry has essentially consolidated into a dozen or so large companies (i.e., $500 million in revenues or larger) that are represented in virtually all markets worldwide, or at least have significant R&D, lab and production facilities in all three major continents (America, Europe and Asia). These are the companies that service the large, international consumer packaged goods (CPG) companies. Below this tier, there are about a dozen middle market flavor and fragrance companies which cater to the large, international CPGs in specialized products or have decided to focus on the second tier of national CPGs, retailers or private label companies, which are also increasingly becoming global. While the first segment of large, international flavor and fragrance companies ("big boys") are well-established, the second tier is still in transition.

This second group of suppliers typically has sales of at least $50 million to $200 million. These suppliers are investing heavily to build a global organization (i.e., full production facilities in North America, Europe and Asia) with production and sample automation and global regulatory systems, essentially replicating the infrastructure of the largest companies on a somewhat smaller scale. Many of these companies are still family-owned private businesses, a few are publicly listed and some are sponsored by private equity money. If a supplier does not already have an international footprint or the capital to invest, it will unlikely be part of this group.

The Local Picture: Succeeding Among the Global Giants

There is a place for smaller, middle market suppliers with a national footprint, but they will increasingly have to focus on a specialized niche or on customers that are too small for others. That will become increasingly difficult. As their fixed cost structure (e.g., regulatory) continues to increase, suppliers will need size to maintain margins and profitability. Having excellent and defect-free products over many years of customer relationships and outstanding service will be an increasingly difficult defense when customers become pressured to decrease the costs of their production. The necessity to reduce costs will never stop in a free market economy with international competition. At the end of the day, the dynamics of the market place will always prevail. Raw material cost increases over the last years have not helped either, in particular if a supplier has limited buying power.[b]

Several years ago, it was still possible to run a $10 million custom flavor and fragrance company and be profitable. Today, that is much more difficult and, in a few years, a supplier will need to operate closer to $20 million in sales to be able to afford the fixed costs and have a meaningful return on capital invested. It is difficult to grow from below $10 million in sales to $20 million without significant investments in fixed and human capital. Smaller suppliers cannot simply sit still and focus on the increasingly smaller pie of leftovers in the market or fallouts from consolidation.

This will become compounded if succession looms and there is no talented successor already groomed in family organizations. For a smaller supplier to maintain momentum to survive, it requires an entrepreneur with ownerlike commitment. This is usually not a job for a hired gun, i.e. a CEO who is brought in from outside the family. If the company is especially small, it will be difficult to attract a high caliber CEO. There have been too many cases of lost confidence over the course of time when a business has begun to shrink significantly. At such a point, it will be even more difficult to attract a (second) qualified non-owner manager. One will have to give up a large share of equity as incentive for a qualified manager to turn the situation around, if at all possible. In too many cases, this has resulted in a downward spiral. By the time the problem is realized, sales have begun to decrease rapidly and overhead costs have reduced cash flow from the business. This, in turn, will have reduced a supplier's ability to afford qualified personnel. A small business is not often the right fit for a hired CEO. It is simply too risky to make a mistake.[c]

Even without an immediate succession issue, suppliers will have to become increasingly proactive (*e.g.*, invest to grow, merge or sell out). Besides, sitting still and hoping for the best has never been these companies' mantra. Why should that change when it comes to facing this new chapter in a company's lifecycle, one that may prove to be the most important one of all?

The Medium-term Question: Invest & Grow, Merge or Sell Out?

Invest and grow: Unless a supplier has outside sources of capital or the owner is already independently wealthy, it is unlikely that a small business will generate enough cash flow to simultaneously invest in dedicated sales and regulatory personnel, software systems, production and sampling automation. If an owner team is still young, has a track record of success and does not want to retire in the foreseeable future, it might be possible to attract private equity funds to support growth investments and acquisitions in order to gain scale. Of course, every supplier has heard of a horror story in which money people without a background in the flavor and fragrance industry have run a company into the ground by changing the way the organization operates and instituting excessive cost savings. Despite their sometimes dubious reputations, there are, in fact, good private equity firms that concentrate on supporting management teams with strategic advice without interfering in the day-to-day management, while also providing capital for growth investments and acquisitions.

However, private equity money requires an exit in a number of years (usually five to seven). At that point, a company needs to be sold or recapitalized (in many cases with money from another private equity fund). Even if a private equity firm holds the majority of the capital, it cannot just exit a company regardless of the desire of the management team. No buyer wants to buy a company when the management team leaves. This is even difficult for an industry buyer, let alone the next investor. There have been examples in which the management team has successfully grown its company by successively recapitalizing the company every five to seven years, usually with substantial financial gains each time.[d]

Merge: A merger of two middle market companies provides the owners with partial ownership of the merged entity. It usually brings two businesses together that are complementary, either in terms of geographic scope (European with American), product scope or locally by combining operations. While this can make a lot of business sense (global reach, economies of scale in purchasing, regulatory systems, increased size and credibility, etc.), it is not easy to meld two cultures and, usually, there can only be one "captain of the ship." The latter is a sensitive issue, especially if both companies are in family ownership with a capable succession team in training or in place. However, each situation is different. One company may already be owned by several heirs of the original founder(s), several of whom might even want liquidity when they are not active in the business and have other interests. It is not uncommon that an active heir is only a minority owner in a company and might prefer an active partner (family) of a complementary company over the inactive ownership of their own co-heirs. In some cases, an active minority owner might be able to lead two (merged) companies with capital from a private equity firm that provides liquidity to inactive heirs. Bridging and facilitating succession are part of the function of private equity money. In cases like this, a young and talented (usually second generation) manager can grow into

[b]There might be some relief from raw materials produced through biological pathways, but the companies focused on bringing these materials to market, even if soon, will want to claim most of the savings for themselves.

[c]This impression has been formed by the authors over the last decade. In their experience, they have rarely seen smaller flavor and fragrance companies led successfully by non-owner managers.

[d]An example of this is IberChem S.A. (Murcia, Spain), which was founded some 25 years ago and has been recapitalized twice with the same management team. The private equity investors have successfully helped to grow the company and financed its international expansion, boosting it into the emerging second tier of global flavor and fragrance firms.

managing a larger, global firm rather than struggling to hold onto full ownership of a smaller supplier with limited capital and growth potential.[e]

Private equity money is not always needed to facilitate a merger. Larger middle market suppliers can also buy or merge with a smaller local supplier. There are several larger, middle market suppliers on both sides of the Atlantic Ocean or in Asia that can afford transactions. Most of them are family owned.[f]

Selling out: In the life of every company there are certain complications that are difficult to overcome without significant influx of capital or other external boosters, like a merger. Selling out usually becomes more imperative when a supplier lacks the next generation of capable entrepreneurs in its owner family or sufficient capital for significant growth.

Setting the Stage for a Strategic Transaction

A successfully executed merger or sale of a company needs to be well planned and takes time. Options need to be weighed. There are questions and business considerations an owner will have to address in order to choose the right partner and timing for an optimal outcome. The process itself can take six to 12 months, excluding the time for needed reflection regarding the pursuit of a strategic transaction. Companies will also want to make sure that they are on an upswing or, at least stable. However, if sales decline it still might be better to confidentially explore options before the situation worsens.

Companies considering a move might be a valuable asset for a top company because of a specialized market expertise or strong domestic position in a particular flavor or fragrance application. The company in question may also be attractive to some among the second-tier group of global flavor and fragrance companies looking to establish themselves in a particular market. The top companies usually have little or no interest in the infrastructure of smaller acquisitions. They already have a big existing infrastructure, excellent R&D, regulatory, etc. They are mostly interested in acquiring sales. For the second-tier group of aspiring global middle market companies, it is usually not an appealing strategy to build a green-field facility in a mature and saturated market because of the start-up losses and time required to gain scale. Minimum sales levels are difficult to build in a mature market where companies have to take market share from competitors to grow faster than the overall market. Also, coming from a foreign culture does not help.

The good news is that, traditionally, company valuations in the flavor and fragrance industry have been higher than

[e]An example of two merging F&F companies on a bigger scale, but facilitated through private equity money, is Symrise, which was created through the merger of Dragoco and Haarman & Reimer.

[f]For example, J&E Sozio, Inc., which is part of a larger internationally operating, family owned group of middle market companies headquartered in Paris, recently bought and merged its operations in the US with those of Alpine Aromatics International, Inc. **See: Sozio-Alpine Deal Boosts Global Strategy.**

in other industries, sometimes regardless of cash flow levels of the company being acquired. The top companies have paid well for smaller companies that featured specialized expertise/market presence because sales could be easily absorbed into larger facilities, i.e., making an acquisition profitable even at higher valuations. However, this may have come to an end as most of the big companies have basically filled the gaps and acquired product capabilities and market presences where they had gaps. Yes, there will still be gaps, but the process of filling them will be more selective.

Even if there is no specialized expertise/market access, these bolt-on acquisitions or consolidations are still very profitable (i.e., relatively high valuations) because most larger companies can integrate sales of a smaller company without adding significantly to its own cost structure (i.e., saving most, if not all, overhead costs). Historically, most of these transactions were accretive for the buyers which, in many cases, were publicly listed companies.[g] Typically in an acquisition by a top company, only sales—formulae, customer relationships—are bought. Rarely will the entire infrastructure, which a supplier has built with great effort and sacrifices over many years, be integrated. Most of the employees—other than some key sales personnel and, potentially, key perfumers and flavorists—will likely be laid off.

With the economic upswing, the next wave of acquisitions and merger interest is now increasingly coming from the second tier of global middle market flavor and fragrance suppliers. These companies have traditionally been successful and grown in their geographic home region. They are now trying to position themselves in markets that they have not had access to, be it a larger European company looking for presence in the United States, or a growing South or North American company looking for a presence in Europe, North or South America, respectively. The authors also have seen increasing interest from Asian companies (Indian and Chinese) wanting to establish a presence in North America and/or Europe.

If a supplier wants to consider riding the upcoming wave of acquisition activity and not to wait for the next economic cycle, it is important to consider that the universe of potential partners does not usually get bigger over time. It is unlikely that suppliers will be in a stronger situation by waiting, unless a supplier already foresees a step-change in its business. Obviously, for an entrepreneur the glass is always half full, but one needs to be realistic. Many business opportunities that initially looked good and seemed real have, for one reason or another, never come through. There is a difference between having a real reason for expecting a step-change versus continuing business as usual with a slightly better outlook. One will know it when one is honest with oneself. If management concludes that the sale or a merger of the business will be inevitable at some point, there are several things that should be considered.

[g]Most industry insiders remember names such as Noville, Shawn Mudge, Wessel Fragrances and Intercontinental Fragrances, which have been bought by Firmenich, Quest (now Givaudan), Takasago and Symrise, respectively.

Selling to a Top-tier Company or Consolidator

The large, multibillion dollar flavor and fragrance companies generally prefer to buy larger companies. From their perspective, it takes almost as much effort to buy a $10 million company as it does a $50 million company. These top companies are, however, willing to consider smaller acquisitions if these acquisitions add technology, customer access and market presence in applications or geographies where they have gaps. Should a smaller company attract the interest of some of the big boys, in general these giants just want to buy sales and customer access and perhaps take over a few sales personnel, and some perfumers and flavorists. Sometimes the top companies are really only be interested in a company's top 20 or so customers, for which they are willing to pay handsomely. The purchaser may either buy the entire company and sell the smaller accounts, as has so far been industry practice, or leave the rest for the seller to handle separately.

Founders of middle market suppliers have worked hard to build their companies over the years and do not want to see the buyer dissolve the company and lay off the employees who have worked hard and been loyal over many years. However, as is the case many times in life, money talks. Some entrepreneurs—mostly in the United States, which has less restrictive labor laws/severance payments—have taken the view of maximizing the sales proceeds and handing out some extra checks as gratitude to their loyal employees. Everybody gets something. This may make economic sense, but it is not for everyone.

Becoming Part of a Globally Expanding Middle Market Flavor and Fragrance Company

This option is different. These companies are looking to acquire or merge with a flavor and fragrance company in order to build upon an existing infrastructure, not to integrate and dissolve. They need management and employees. In most cases, they are not in the position to acquire a company without management. They will expect management to continue, at least beyond the typical six-month consulting arrangement. This is a positive for the future of the acquired company. However, because this type of acquirer or merger partner will leave the acquired company intact and build upon its infrastructure, it cannot afford to pay a price that is largely disconnected from the cash flow generated by the business.[h] On the other hand, no transaction is done in a vacuum and having credible alternatives will help in negotiating a fair price.

The universe of potential acquirers that fall into this category is limited. In general, there are more middle market firms in Europe that have already expanded into Eastern Europe and Asia, and which will eventually have to develop a presence in the United States, than there are middle market flavor and fragrance companies in the United States looking for smaller acquisitions in Europe.

[h]If the sales of a company are being integrated into a larger flavor and fragrance firm, the fixed cost structure of the acquired firm is no longer relevant. A top-tier company/consolidator is mostly concerned about the gross margins (sales after raw material costs) and quality of accounts acquired. In some cases, the authors have helped to sell companies without the financials below the gross margin line ever being disclosed.

As potential targets, there are more small independent flavor and fragrance companies in Europe than there are in the United States. Inevitably, more emerging Asian and Latin American companies will eventually reach the size to fill the gap in demand for European companies.[i]

Given the cultural differences, it is generally easier for Western companies to merge with a European and American company than with an Asian company—unless the Asian company has US/European-trained senior personnel. A supplier also needs to keep in mind that many of the larger, middle market European flavor and fragrance companies are still family-owned and intend to stay that way. Therefore, transactions involve a combination of cash, seller notes and equity in the emerging global middle market company, sometimes with a defined valuation formula for set exit points. It is hard for a family-owned firm to make an all cash offer. This may not be all negative. Continued equity ownership, even if in the minority position, provides an opportunity for future value creation if there is a meeting of minds, trust and mutual understanding. Each situation will be different and depends on the desire of the owners on both sides of the table.

Merging (i.e., full or partial equity exchange) with an emerging global, middle market flavor and fragrance company provides the opportunity to continue to be an equity owner and participate in the value created by such a combination. It may actually allow a selling owner to take some money off the table for themselves and for non-active owners. On the other hand, it can also allow an active owner/heir to continue building a truly global, middle market flavor and fragrance company and participate in the synergies created. The right situation might actually be more fun than standing still and controlling 100% of one's company. There are many structural alternatives, which depend on the merger partner. An international merger can secure a company in today's competitive environment both for employees and in terms of wealth creation for owners.

None of the next generation of global middle market flavor and fragrance companies will be the same in terms of their ownership dynamics and time frames. Again, understanding a prospective merger partner/acquirer as well as the universe of other potential merger partners/acquirers will be critical in determining which opportunities to act upon and which to let pass.

The Structural and Legal Implications of Mergers and Acquisitions

If an owner is simply selling out of a company, then that transaction is typically structured as either an asset sale or a stock sale. In an asset sale, a company sells all (or mostly all) of its assets to the buyer, whereas in a stock sale, the owner is directly selling his or her stock (equity)

[i]European and American flavor and fragrance companies have typically chosen to build their Asia presence from the ground up with Asian personnel trained in Europe or the United States. This is a suitable strategy in emerging markets where cultural differences prevail and technology transfer can provide a competitive advantage. Also, Asian markets have lacked a stable of suitable, high-quality firms to be available for acquisition.

to the buyer. Buyers typically like asset sales because they allow them to choose which of a company's assets it wants to buy and which (if any) liabilities it is willing to assume. In the United States, asset sales typically provide tax advantages to buyers because they allow the buyer to allocate the purchase price among the various assets acquired and depreciate those amounts over time. Sellers typically prefer stock sales because, in effect, they transfer the entire company to the buyer, including all of its assets and liabilities. Sellers also like stock sales because they typically involve only one level of tax (created by the sale of stock), whereas an asset sale involves both a tax on the sale of assets by the company and then a second level of tax when distributing the sales proceeds to the owner of the company. Stock sales are also easier because they do not require each asset to be separately transferred, thereby avoiding most issues relating to the assignment and transfer of licenses/permits, contracts, registered intellectual property and the like.

If one is looking to combine or join one's business with another company, the most common form of that legal structure would be a merger. Under a merger, two companies literally merge into one legal entity, wherein only one company survives as a legal entity and the other disappears.[j] The surviving entity automatically takes on all the assets, liabilities, rights and obligations of the entity that will be merged out of existence. As part of the merger, the owner of the entity that does not survive the merger will typically receive stock of the surviving entity (or sometimes a combination of cash and stock). The amount/percentage of stock in the new company that the owner of the non-surviving entity receives will, of course, depend upon the relative value of the two companies being merged.

In many cases, the parties in a merger will want both companies to survive the merger because of the actual economic value associated with maintaining each company's good will and/or because of the sentimental value placed upon maintaining the existence of a longstanding family owned business. Keeping both companies alive in a merger can be legally accomplished by having one of the companies (Company A) create a newly formed subsidiary and then have that subsidiary merge into the other company (Company B), with Company B surviving the merger. Company B would then become the wholly owned subsidiary of Company A (similar to the result of a stock sale, i.e. purchase of the stock of Company B by Company A) with the owners of Company B receiving stock in Company A. As with any other merger, the owners of Company B can either receive stock in Company A or receive a combination of stock and cash. In the United States, the amount of Company A stock that the owner of Company B receives in the merger will typically not be subject to taxation, as long as the amount of stock received is more than 50% of the total consideration received by the owners of Company B. Any cash received by the owners of Company B, as part of the merger, will be subject to taxation.

[j]In many cases, the names and identities of both companies are maintained, at least for a significant period of time, because of their market recognition in their respective geographic areas.

In cases in which the parties are interested in combining some, but perhaps not all, of their business assets or liabilities, then the parties can consider forming a new company and pool select business assets and liabilities into that new company. The ownership percentage that the two sides will own in the newly formed company will of course depend upon the relative value of what each side contributes to the new company.

Creating a subsidiary through either a partial stock purchase or a partial merger can be useful in situations where part of the ownership in one company wants to sell out while the remaining, usually active, ownership wants to continue in the combined company.

Regardless of the structure of a transaction, in cases where part of the valuation (and, therefore, part of the consideration being paid) is based upon certain assumed growth or sustainability of the business going forward, there are a variety of ways to condition (and defer the payment of) some of the purchase price based on how the company actually performs in the future. Those types of earn-out payments are most typically used where valuation is based upon anticipated growth in the business and not just historical performance. For a seller, including an earn-out as part of the purchase price can create the potential for a significant upside because it provides a way for the seller to share in the future growth of the company or combined companies. Of course, earn-outs also involve risk for the seller because it conditions part of the purchase price on the future operations of the company, which the seller will not control. For that reason, sellers should not agree to earn-outs unless the seller has some input in the major decision making of the combined business going forward and some way to monitor those operations.

For buyers who are particularly apprehensive about committing to acquire a seller's entire business up front, those buyers may propose that it acquire the seller in two or more stages, initially acquiring a minority/majority interest along with the right to acquire the remainder of the share later in time at certain price points if certain financial performance targets are met or, depending on the situation, even mandatorily.

Of course, there are even more complicated and more creative ways to structure a merger or combination of two businesses. One thing is certain: merging or combining middle market, family owned companies (as opposed to an outright sale for cash to a top-tier company) creates both additional complexities and additional opportunities. Each case will present its own challenges, depending upon the parties' ownership structure and situational objectives. In general, these kinds of transactions give rise to many structural opportunities to fit the needs of specific owner groups. Determining the best deal and deal structure requires an understanding of the needs of both parties, experience in prior deals and careful planning. Of course, here is where the advice of a good investment banker and M&A attorney can be invaluable.

Lastly, one must keep in mind that in combining one's business with another, one is both a seller and a buyer at the same time. That means, among other things, that both sides can and should do their own due diligence investigation of the other company. Knowing how to conduct that due diligence and putting the right team in place (both internal management as well as external advisors) is critical to a successful transaction.

Expert Advice, Timing and Confidentiality

Navigating through potential options is not a case for a learn-it-yourself effort, which can lead to costly mistakes. After all, this may be the only company one ever merges or sells. The costs and risks involved in navigating the learning curve oneself and getting it right the first time are simply too high. One needs specialized advice, i.e. an advisor who is already heavily involved and very familiar with the international F&F market, knows about the strategic objectives of key participants, and does not have to start from scratch knocking on doors. In cases in which a supplier decides to initiate the process, it needs to do so with maximum confidentially. A supplier simply cannot risk contacting too many companies in the industry because, over time, the word will spread. The industry is very talkative. Speaking to the wrong person in an organization or revealing too much information too early in the process can damage one's business and reputation. This is also not a numbers game (i.e., "if I approach many companies, one of them will bite") and certainly not a case for a newspaper announcement (even on a no-name basis and/or through an intermediary). It's a bit like dating: Companies have to be desirable and pursued to some extent, but still accessible in order to get the deal done. If it becomes known or rumored that a company has "flirted" with too many companies, it will lose attractiveness, sometimes without good reason. To maintain the infrastructure of one's company and achieve as high a price as possible, sellers will need time and careful planning while also keeping the process confidential. It takes careful planning, time and knowledge of the worldwide flavor and fragrance market to know which middle market firms are currently or potentially looking to expand into one's geographic area. Even if one is approached by a specific company, a market expert is needed to advise on how and when—or even if—to act.

Getting to know a potential buyer or merger partner will take time. Sellers do not want a potential merger partner/acquirer to know they are on the block while still exploring options. Therefore, direct access and established relationships to the key decision makers at potential merger partners/buyers worldwide, as well as knowing their basic strategic objectives, is paramount for a targeted approach and for maintaining confidentiality. With any corporate transaction, one wants to catch the right point in time—an economic upswing that still has some way to run. One also does not want to set the expectation too high and then disappoint during the process. It takes foresight, planning and a well thought out presentation that will make the best of a particular situation.

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