



Initial Offers and the Letter-of-Intent

Increased Price – Better Odds

Assisting in your Journey to a Successful Exit



Two Levels of offers

- Indication of Interest / Expression of Interest (IOI)
 - Pre-visit indication of value
 - Often a range and not a specific value
 - Not an agreement you sign
 - Great method of ranking buyers
- Letter-of-Intent (LOI)
 - Formal, but still non-binding
 - (Except for a few items)
 - Sign One (Exclusivity)

Components of an IOI

- Who and Why
 - Who the buyer is, and why you should care about their offer (what value they add)
- Price or price range
 - Acknowledge buyer hasn't visited, and that you will not negotiate hard (at this point)
 - "Ticket to the dance"
- Valuation methodology
 - e.g. multiple on year end, LTM or average EBITDA?

Components of an IOI

- Structure
 - Cash vs. other (“What is buyer thinking about?”
 - Notes, earnout, stock, rollover equity, assumption of debt, etc.
 - Stock vs. asset sale?
- Net Working Capital
 - At least a mention of what is expected
 - “Cash free, debt free”
- Funding (do they have money)
 - Use of debt
 - Funding process, approvals, contingencies

Components of an IOI

- Timing
 - Indication of time to close (through due diligence)
- Management / transition plans
 - Plans for old or new management
- Anything you really care about
 - e.g. Moving or not moving the company
 - e.g. Continuing current R&D project or not