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Business Transfer & Valuation Information

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BCC Advisers Offers International Reach

Completing an acquisition is difficult enough when doing so domestically, but there are additional challenges presented with a cross-border transaction. What factors do you need to consider? What are the additional risks, and how can you mitigate them?

If working with non-English speakers, your first hurdle is obviously language. Required translation could add significant time to the evaluation and subsequent due diligence process, as well as lead to misinterpretations.

Depending on the country, there may also be issues in accessing information as foreign private business owners may not track the same company data as would be expected in the U.S. Lack of certain information can impact perceived risk, valuation, confidence, and due diligence.

Risks and exposure to liabilities also vary by country. In some countries, laying off employees will result in a required (and possibly substantial) severance cost. This can limit flexibility in rightsizing an acquisition and should be included in any valuation analysis. Other countries tie severance amounts to an employee's length of service. Whether or not a company to be acquired has been accruing for this severance expense is important to know.

Does the company have a union? In circumstances where unions are the norm, not having a union already in place introduces an opportunity for an undesirable union to impose itself and potentially disrupt the business.

What about the terms expected to be included in an initial offer or purchase documents that are standard in the U.S.? Are they similar or would their inclusion potentially be offensive to the current owners?



ALLIANCE OF INTERNATIONAL
CORPORATE ADVISORS

These are just a few examples of challenges that can occur before even closing the transaction and moving into the integration stage. It would be more than advantageous to have experienced advisors on the ground in your prospective target's country to help you navigate these obstacles and build your advisory team of locally well-regarded and recommended professionals (tax, audit, legal, and real estate). It just so happens that BCC Advisers has the global reach to provide our clients with access to these resources worldwide!

Since 2012 BCC has been a member of the Alliance of International Corporate Advisors, or AICA (www.aicanetwork.com), a conglomerate of 40 M&A firms located in 40 countries around the globe. For our clients making international acquisitions, or those who are selling and would benefit from the interest of foreign buyers, BCC's AICA colleagues are invaluable. And they are truly colleagues, people who we know and trust and with whom we have built solid relationships. Our collaborations have been key in closing several successful cross-border transactions!

"BCC is one of our most active members, regularly working with colleagues to serve clients seeking acquisitions in the U.S. and U.S. companies pursuing acquisitions abroad," said AICA Executive Director Amanda Simmons. "We often utilize BCC as a case study to promote how our members should best utilize our extensive resources to collaborate and add value to clients," she added. BCC has held leadership roles on the board, and M&A team members Steve Jacobs or Tom Cavanagh have served as Treasurer since 2013.

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business lines



By Steve Jacobs

The past two years have been decidedly positive for M&A despite the challenges of Covid-related shutdowns, supply chain disruptions, and decrease in skilled labor. Though we don't have a crystal ball, we believe the future will continue to be filled with opportunity.

Historically, when the economy is uncertain, transaction multiples will decline resulting in lower valuations. In addition, the pool of acquisition targets typically increases during a recession. The upcoming economic period may be different, but the ability to identify a quality business at a reasonable price should be abundant. The ability to buy will be stronger than in past downturns due to the current level and mix of available capital, with over \$1 trillion in available private equity funds and bankers still willing to lend. 2023 should be a prime year to acquire capabilities adding to your company's current offerings or geographic reach.

The acquisition market will be highly competitive, so to stand out as an attractive buyer you need to highlight the value you will bring to the target company. For example:

Expertise and understanding of the industry. If applicable, offer to facilitate the rollup of a fragmented industry in the pursuit of economies of scale.

Improved Managerial Oversight. Demonstrate your ability to provide better strategic direction, organization, and process disciplines to improve market advantages.

Share Skills and Capabilities. Show how you can materially improve the company's performance by directly adding a specific skill, asset, or capability, including operating efficiencies, technologies, and marketing capabilities.

Employee Benefits. If you are an ESOP-owned company, you can provide employee ownership benefits to new team members. Explain how this will be a financial benefit to both the employees and the business.

When choosing a buyer or strategic partner, more often than not business owners will consider more than just the highest bid. Engaging a skilled investment banker to help communicate the value you bring to the table will provide you a much needed edge in a competitive market, while allowing you to stay focused on your existing operations.

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APO Changes Leadership



Despite the required commitment to many years of schooling and training to join many positions in the health care field, you will find a common theme among people who choose to enter this profession. Most will say it's a calling to a vocation bringing them joy by saving or

improving lives. This is particularly true for the staff dedicated to providing expert clinical care to their patients at **American Prosthetics & Orthotics (APO)**, a provider of custom prostheses and orthoses headquartered in Clive, Iowa, with nine locations across Iowa and Illinois.

The practitioners of APO touch the lives of young and old alike. Whether it is providing orthoses to correct spinal conditions in children, fitting and fabricating custom prostheses for patients who have lost limbs, or emergency

on-call services for accident victims, APO has built a culture committed to delivering excellent care and service to all its patients. Technological changes within the industry, including 3-D scanning and advanced orthoses and prostheses, have only improved the ability to positively impact people's lives.

APO's history dates back to 1958 when owner Ron Cheney began working for Minnesota-based Winkley Artificial Limb Company directly out of high school. After the sale of several Winkley branches to American Prosthetics, Ron became manager of the Des Moines location, eventually purchasing it along with four other branches with three partners. This set the foundation for the company and helped shape it into what it is today, including establishing its current name.

With Ron's partners having left the business, and after dedicating nearly 65 years to the industry, it was time for Ron to retire. With 50 years as the company's owner, Ron's primary goal was to ensure a smooth ownership transition and strong future for the employees that are APO. Understanding there would be complexities involved in both confidentially finding

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An Electric Westward Expansion

Established in 1987, **Commonwealth Electric Company of the Midwest (CECM)** is a provider of large and small-scale commercial and industrial electrical work, service, design-build assist, and pre-fabrication services. It became an employee-owned company in 2017 and has grown to include 12 locations across Iowa, Nebraska, Arizona...and now Utah.

Consensus among CECM's management team was that although there was still growth to be realized in its current markets, there was also an opportunity to leverage its experience and reputation to expand more rapidly in other geographies. While green fields were a possibility, acquisitions would expedite that growth, particularly given the tight labor market among the skilled trades. Having already picked up several projects in the Salt Lake City MSA through existing customers, this area became their prime target for geographic expansion.

Since acquisition had not previously been a part of the company's growth strategy, CECM approached BCC Advisers for assistance. T Michael Price, CEO of CECM, stated, "BCC's long history of supporting ESOP-owned companies gave us confidence they understood our needs throughout the entire acquisition process. Not only have they helped many other ESOPs in making acquisitions, but equally important they have the knowledge to educate potential acquisition targets on the process of selling to an ESOP and the benefits it presents to owners and their employees. This really opened doors for us."

After working with CECM's management team to establish ideal acquisition criteria, BCC set out to identify potential targets. After initial discussions with select targets, it was clear **Rydalch Electric** shared the same core values as CECM. In addition, two of Rydalch's retired owners were looking to exit their ownership



**Commonwealth
Electric Company**
of the Midwest



**RYDALCH
ELECTRIC, INC**
a Commonwealth Company

stakes making the timing of the outreach ideal. Rydalch is a premier electrical contractor servicing the Wasatch Front, encompassing Salt Lake City and surrounding areas, so the geography was right as well.

BCC managed negotiations between the two companies, and once both leadership teams met in person, all were enthusiastic about a potential future together. "When we spoke with Rydalch, it was very clear we had the same vision in mind, went about business the same way, and valued customer and employee relationships. We both stand to benefit from combining our companies as we will remain committed to Rydalch's employees and customers while bringing them the opportunity of employee ownership, new customers, and greater resources for expansion. At the same time, acquiring Rydalch will provide us with a reputable and established foundation in the Salt Lake City region, allowing us to extend our reach. BCC was instrumental in bringing us together with Rydalch and successful in navigating various challenges along the way," said Price.

Although every M&A transaction is unique in its own right, transactions involving ESOPs add additional complexities. Having a team of advisors on your side that are well versed in these intricacies enables a smoother process from start to finish.



APO Changes Leadership

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the right partner while navigating the intricacies of a business sale, Ron hired BCC Advisers to assist in this endeavor.

After generating significant interest in the company, BCC was able to provide Ron with multiple offers to evaluate. Ultimately, Ron and his family decided to move forward with a sale to **Hanger, Inc.**, one of the largest clinical providers of orthotic and prosthetic services in the U.S. Ron stated, “Despite being a formidable competitor in our markets, our familiarity with the leaders at

Hanger gave us comfort the culture we built at APO would remain in place. In addition, Hanger brings significant resources to help our company and employees grow well into the future, a major contributing factor to our decision. BCC was crucial in maintaining the confidentiality of the process, while simultaneously guiding us from start to finish and developing solutions to key issues along the way.”

Although the thought of selling your business to a competitor can be uncomfortable for many reasons, your competitor may just be the company with whom you are most familiar. If your values align, and the company meets your established objectives, a competitor could generate the highest value to you as an owner and provide the most benefit to your employees and community.

As well as rewards, there can be risks when selling a business, particularly if a potential sale is made public before you are ready. **Having a dedicated team experienced in managing a confidential auction process will help limit these risks while allowing you to focus on your current operations.**



on the dotted line

Some Recent BCC Advisers Transactions:

Advised a commercial electrical contractor on an acquisition of the same to facilitate geographic expansion.



Advised a provider of industrial cleaning & maintenance services on an acquisition of a provider of dry ice blasting services.



Advised a commercial construction company on its acquisition by an ESOP.



Prepared a fairness opinion regarding the purchase of shares of a bank by an ESOP.



Advised a regional provider of orthotic & prosthetic clinical services on a sale to a national provider of orthotic & prosthetic services.



Prepared a fair market valuation of an international manufacturing company for estate & gift tax purposes.

The Market Front

Some opportunities available through BCC Advisers:

U.S.-based software development company - is seeking acquisitions of the same.

European-based company with proprietary technology for trace detection of volatile organic compounds - is seeking a buyer.

U.S.-based producer of food products - is seeking a buyer.

U.S.-based infrastructure construction company - is seeking a buyer.

WE'D LIKE TO HEAR FROM YOU!

Is there a topic related to mergers and acquisitions you'd like to learn more about?
Send your request to us at info@bccadvisers.com
and we will do our best to address your question in a future issue!