

Tips for Preparing an Offering Memorandum

When selling a business, producing an effective document to describe the acquisition opportunity is one key to achieving your best result. This document is known as a Confidential Investment Memorandum (CIM), the Selling Memo, or a Confidential Acquisition Thesis. It is a primary tool for a buyer to fully appreciate the value of your business. It is a starting point to better achieve a meeting of the minds and helps you sell your business for the best price and terms.



The CIM must be factual, but it should tell the story of the business you are selling, in a way that is appealing and portrays inherent business value. It should capture the attention and the imagination of valid buyer prospects. The CIM is the buyer's first impression of your business. You only get ONE first impression. Make it the very best it can be.

Shaping the Executive Summary

The executive summary succinctly focuses on the most important features that a buyer would seek when acquiring a business like yours. Buyers seldom invest the time to pursue a business that fails to grab their interest in the first few seconds. The executive summary provides a fast look at the opportunity to catch the attention and motivate a harder look. The rule of thumb among M&A professionals (mergers and acquisitions brokers and advisors, or investment bankers) is to keep this section to no more than one page of the most important elements of the firm. Commonly this will provide readers a quick look at the location, financial trends, the nature of the business, the reason for a sale, and highlights of the opportunity.

The Core of the CIM

The core of the CIM follows a format similar to a business plan, but designed with relevance to selling a business. A well-prepared CIM covers the fundamental elements of the business and will have sections to address these.

A caution on sharing the CIM. Experienced M&A brokers and advisors know it is critical to craft the CIM to be informative, but also taking care to avoid including information that is potentially damaging to your firm when the CIM is exposed to buyers. Preserving confidentiality and protecting the client's business is a fundamental objective of M&A brokers and advisors, business brokers and investment bankers. They have disciplined processes to preserve confidentiality throughout the process of selling a business. One element is to provide the appropriate information to the appropriate people at the appropriate time.

The core of an effective CIM for selling a business will be organized in a logical flow with sections aligned to key elements of the business. An overview will briefly introduce the business with an acquisition summary “discussion”. Other customary sections include:

OWNER’S OBJECTIVES & MOTIVATIONS

PRODUCTS OR SERVICES

CUSTOMERS & MARKETING

KEY STRENGTHS & ATTRIBUTES

GROWTH OPPORTUNITIES

OBSTACLES

COMPETITIVE POSITION

FINANCIAL RECAP

OPERATIONAL ATTRIBUTES

- *Facilities*
- *Organization & People*
- *Production Assets*
- *Legal & Regulatory*

SALE STRUCTURE

CONCLUSIONS

A mergers and acquisitions memorandum for selling a business is not intended to provide a comprehensive report going far into all aspects of the business. It should be adequate to inform and motivate a potential buyer, nurturing interest to dig deeper before buying. Often, answering the first two or three levels of reasonable questions in each area of the business is sufficient to make the case for moving forward to the next acquisition steps: management meetings, terms sheet, or a letter of intent.

To be effective and efficient in communicating with prospective buyers for your company, consider what the important attributes are, and be sure to include data and discussions to highlight these. Commonly these may be customer concentrations, the impact of cycles, financial performance and appropriate adjustments, competitive advantages, and new businesses development of growth strategies. Sections on financials and growth strategies need care in presentation, as business buyer prospects will often turn first to these sections.

Many owners recognize the wisdom of employing top experts to help them succeed in business. Selling your business can be driven to your best outcome, if your “Field General” is a top M&A business broker and advisor, with the talent, expertise and resources to manage the process to your best result. Preparing the materials, such as the CIM, to your best advantage in dealing with business buyers, is a refined skill for M&A brokers and advisors. Your business selling memorandum may be the first detailed information exchanged between you and many prospective buyers. The CIM is the first impression a buyer gets of your business. Make it the best it can be.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

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