

CHOOSING AN M&A ADVISORY FIRM

When a client or colleague asks for advice on selling their business or sourcing acquisition targets, you would normally help them by referring them to those you know are best placed to assist.

Supertrac's referral network forms the backbone of its business and provides a constant flow of prospective new clients. The majority of Supertrac's clients are referred by either their professional advisers or other colleagues. We at Supertrac appreciate the value of referrals, as this is the ONLY form of repeat business we can develop. We usually only sell a client's business once, whereas the referral base is ongoing and enduring.

M&A REFERRAL CHECKLIST

Here is a suggested due diligence checklist to adopt when deciding who to recommend. We have included Supertrac's credentials as a benchmark for comparison:

EXPERIENCE

Does the firm have a record of successful transactions of comparable size?

- Supertrac has provided advice on clients' businesses totalling more than \$550M.
- Most of Supertrac's transactions are in the \$1-\$40M range (some are larger) and the average transaction value is around \$5M.
- Supertrac is regularly appointed by private equity groups, local and overseas listed companies looking for acquisition targets in specific industries.

CREDIBILITY

Are the key advisers suitably qualified and experienced?

- Supertrac's team consists of qualified, expert professionals with a wealth of experience in corporate advisory, business management and transactions.
- They are complemented by an experienced, capable team responsible for the distribution of client marketing material and screening of initial responses.

MANAGEMENT

Will the advisers personally oversee the project?

- At least two of Supertrac's advisers are involved with each project, ensuring personal attention and backup.

CONFIDENTIALITY

Does the firm understand and respect client confidentiality?

- Transactions are conducted on a confidential basis, where discretion and sensitivity in marketing and negotiations are required to minimise risk and disruption to the business.
- Prospective purchasers are thoroughly qualified, must complete a confidentiality agreement and require client approval before being allowed to enter the process. These precautions minimise the risk to the business.

REGULATORY

Does the firm hold the appropriate licences?

- Supertrac holds an Australian Financial Services Licence (AFSL). This confirms Supertrac's status as a quality service provider and underlines its commitment to deliver the highest possible standard of advice and service to Australian corporations.
- Supertrac's franchisees are either authorised representatives or hold other licences appropriate to their home State.

MARKETING RESOURCES

Where does the firm source most purchasers from?

- The majority of sale transactions are to purchasers already on Supertrac's database.
- Supertrac's database is the primary source of prospective target firms. The database covers all organisations in Australia with more than 10 employees, and corporate, private and international investors, allowing us to readily identify and target prospective purchasers. More than \$3 million has been invested in this asset alone. It is understood to be one of the best sources of business intelligence available and is a key point of difference.
- More than 67% of purchasers are either already on Supertrac's database or referred by those who are, including accountants, former clients, lawyers and financiers. The remaining purchasers come mainly from Supertrac's and other websites.

PRESENTATION

Will the firm professionally present the business opportunity?

- Supertrac prepares a sophisticated and comprehensive Information Memorandum (IM). This is a pivotal element to marketing a business, as it is designed to provide purchasers and their advisers with sufficient information to make an initial assessment, as well as build their confidence to proceed with the acquisition.
- As part of the process, we analyse our client's business for its strengths and potential, and make recommendations on any aspects which could be improved to maximise the perceived value of the business to interested parties.
- The IM requires the client's written approval prior to release.
- The IM is issued to prospective purchasers only after they have signed a Confidentiality Agreement, completed an Investor Registration and have been approved by our client.

COMMUNICATION

How well does the firm communicate with clients?

- Supertrac provides high-level communication and advice throughout the sale process so clients can make informed decisions.
- Supertrac's fast acting and highly responsive in communication with clients and their other advisers ensuring a smooth process to completion.
- Supertrac maintains documentation of key events regarding the sale.
- We provide regular written and verbal reports of activity and progress, including details and status of every prospective purchaser.

COOPERATION

Can they work with us and other professional advisers?

- Supertrac's advisers are professionally qualified and work seamlessly with clients' other advisers

PRELIMINARY VALUATION

Will the firm provide a valuation before the client commits?

- Supertrac prefers to provide an indicative valuation of each business before a client commits to proceed to market.

Easy to find out more?

- Supertrac can provide a Divestment Proposal containing information to assist prospective clients understand more about the process.
- Supertrac's advisers are willing to meet you and/or your client to discuss the process or specifics of their business.

Can I become involved in the process?

- Supertrac offers a range of partnering options as an opportunity to become more involved in the sale or acquisition process, or in preparing your clients' businesses for sale. Refer below for more detail.

PROCESS TO COMPLETION

Does the firm manage the full process to completion?

Supertrac manages the entire process, from start to completion.

- Qualifying Prospective Purchasers
 - We qualify prospective purchasers to minimise risk and lost time. We assess their ability to complete the acquisition and consult clients on a regular basis.

- Questions
 - We coordinate the question and answer process to maintain protocols, confidentiality, accuracy and documentation, as well as provide feedback and advice.
- Inspections
 - We coordinate and attend inspections and other meetings and make recommendations.
- Expressions of Interest are evaluated as follows:
 - Assessment and ranking of offers
 - Finance sourcing
 - Assess the ability of interested parties to complete the transaction
 - Strategic fit
- Negotiation and Completion
 - Capitalise on competitive tension
 - Focus on value drivers to improve price negotiations
 - Liaison with legal and accounting advisers
 - Assistance throughout the Due Diligence process
 - Assistance with warranties, indemnities and guarantees
 - Assistance with Letter of Intent or Heads of Agreement as appropriate
- Due Diligence
 - Co-ordinate and facilitate the due diligence process.
- Contract
 - Where appropriate, provide the lawyer with a pro-forma Contract of Sale to save time and cost.
 - Negotiate the commercial aspects of the contract of sale.