



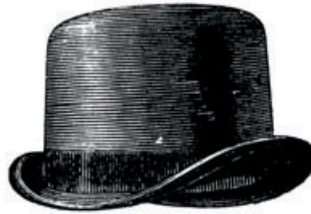
# firm value

MERGERS  
ACQUISITIONS  
FINANCING

© firm value newsletter for entrepreneurs interested in mergers, acquisitions, growth financing or liquidity, for lower middle market companies.  
Published by IMAP MB Partners LLC, 4870 Sadler Road, Suite 300, Glen Allen VA 23060, Editor: Agoston Dombi, firmvalue@imapmb.com



*Fig 1.: Let the experts take care of me!*



*Fig 2.: Knows what he wants and gets it*



*Fig 3.: The buyer is out to cheat me!*

## SEVEN SELLER PERSONALITIES

**WHICH ONE IS LIKE YOU?**



*Fig 4.: Grind them, milk them!*



*Fig 5.: The opportunist*



*Fig 6.: The street smart entrepreneur*



*Fig 7.: The straight shooter*



# SEVEN SELLER PERSONALITIES

## WHICH ONE IS LIKE YOU?

AN INTERESTING ASPECT OF THE MERGER ADVISOR'S JOB IS TO DEAL WITH COLORFUL ENTREPRENEURS, WHO ARE FULL OF DRIVE AND ENERGY. ON THE OTHER HAND SUCH PERSONALITIES ARE NOT ALWAYS EASY TO DEAL WITH UNDER THE PRESSURE OF A SALE OR CAPITAL RAISING TRANSACTION. OVER THE YEARS, I IDENTIFIED **SEVEN PERSONALITY TYPES** AMONG THE COMPANY OWNERS I HAVE WORKED WITH. THIS ARTICLE IS ABOUT HOW THEY THINK, BEHAVE AND RELATE TO THE SALE PROCESS.

### Let the Experts Take Care of Me

The Let the Experts Take Care-of-Me personality type treats his advisors as partners, rather than as a hired hand or worse, a broker, just out to make a deal at for a quick buck. He wants your in-depth opinion and assessment of every meeting and discussion and is high maintenance in terms of your availability to discuss situations and brainstorm solutions. But this time investment comes back in the execution, where he doesn't meddle and willingly plays his pre-agreed upon role. Sometimes he will be the bad cop, or the good cop, depending on the buyer's attitude.

This personality is the easiest type to work with and has so far produced the best results in terms of realized sale proceeds and contractual terms. His attitude is: "You are

the trusted experts, who know what you are doing and as long as your actions and advice is congruent with this assumption, I will follow your lead". The Let the Experts Take Care-of-me Entrepreneur is generally under the age of 50 years old, driven, and has succeeded through building a team based on trust. This personality type knows his own business, but recognizes his limitations and is willing to pay for outside expertise, at a fair price.

**"YOU ARE THE TRUSTED EXPERTS, WHO KNOW WHAT YOU ARE DOING AND AS LONG AS YOUR ACTIONS AND ADVICE IS CONGRUENT WITH THIS ASSUMPTION, I WILL FOLLOW YOUR LEAD".**

**THIS BUSINESS PERSONALITY TYPE, THE KNOWS-IT-AND-GETS-IT SELLER, IS A TOUGH AND INTELLIGENT ENTREPRENEUR. HE APPLIES THE SAME PRINCIPLES TO THE SALE OF HIS BUSINESS THAT MADE HIM SUCCESSFUL IN BUILDING IT.**

In one transaction, IMAP was dealing with an Italian buyer, whose strategy was to keep delaying the transaction. He wanted to exhaust management until there was a month with softer numbers, so that he could reduce the price. We were at the end of July and realized that if we could not sign final sale terms before the Italian month off (August), we would get hammered and have the closing delayed to December. We decided to give the buyer an ultimatum: “Sign before the recess, or we are walking from the deal”.

The strategy worked. Our Milan “friends” grudgingly delayed their holidays by a week to make room for a final negotiation. The meeting was tense and we were aggressive, while my client played conciliatory. After two hours, we walked out with a signed binding offer at the cost of minimal concessions.

### **Knows What He Wants and Gets It**

This business personality type, the Knows It and Gets It seller is a tough and intelligent entrepreneur. He applies the same principles to the sale of his business that made him successful in building it. He pays attention to detail and is determined to squeeze out the best possible price and terms for himself.

This is a more difficult but good personality type to work with as his deals usually get closed. The Knows It and Gets It business personality is successful and realistic. (The opposite is the ubiquitous, unsuccessful and unrealistic entrepreneur. His company is worth very little, which he subconsciously understands. To avoid confronting this reality, he sets unrealistic price expectations and delays a deal indefinitely.)

The challenge for the advisor with this business personality type is two-fold. The first is to prove to the buyer that he would still be able to make money at a high price by capitalising on certain growth and profit opportunities. Secondly, to manage his client not to cross the line and demand terms that would put off the already stretched buyer.

For this strategy to work, the company must be a leader in its field and must have potential to grow further in the hands of a competent buyer. The advisor walks a fine line here. The potential must be demonstrated, but may not be guaranteed, as it would prevent the seller from personally exiting. The buyer needs capable and ambitious management and the seller's advisors may also help bring such candidates to the table.

### **“The Buyer is Out to Cheat Me”**

This business personality type is often difficult to help. The Buyer Is Out to Cheat Me personality type is generally over the age of 50 and more sceptical of the buyer and his advisors – or any financial types, for that matter. He has been burned in the past for having trusted people who later did not deliver and wants to avoid that same pitfall. There is little chance of a leap of faith here. The buyer must prove in advance that it would live up to all the expectations of the seller.

This rarely works in practice as the buyer is always afraid for being taken for a fool. Lack of trust from the seller breeds the same with the buyer, escalating into personal chemistry warfare, unless an experienced advisor steps in to diffuse the standoff.

The key in this situation, as in most, is communication. The advisor must communicate the concerns of the buyer to the seller and back in a way that the other party can relate to and understand. The challenge is that such concerns stem from the fear that the other party is not telling the truth, will not want to, or be able to deliver on his promises. Private company owners are particularly worried when a big corporate buyer comes in. They fear that the people making the deal would disappear and new executives with no common history and personal loyalty would take decisions, affecting the seller who had made concessions based on trust.

**LACK OF TRUST FROM THE SELLER BREEDS THE SAME WITH THE BUYER, ESCALATING INTO PERSONAL CHEMISTRY WARFARE. UNLESS AN EXPERIENCED ADVISOR STEPS IN TO DIFFUSE THE STANDOFF.**

One such area is the buyer's post-closing handling of any third-party claims, which the seller had counter-guaranteed in the sale and purchase agreement. Would a new hired CEO make his best efforts to minimize the financial impact of such claims, or he would rely on the warranties of the seller and focus on other priorities? How can the seller, facing such reasonable fears, be persuaded to provide the customary warranties in such situations?

### Grind Them, Milk Them

This business personality type, the Grind Them, Milk Them type, pretends he is a simple person and claims that all he knows is how to run his business. He can answer any questions in the due diligence phase convincingly, in a down to earth manner. Everything sounds straightforward and transparent, and the seller peppers the talk with humor and friendly comments.

The one thing he is not doing is compromising his monetary objectives. He skillfully deflects more probing due diligence questions like an invincible ninja fighter. He has a plausible explanation for everything and has fun discussing them. He meets every challenging question with a counter challenge that he puts forward with a smile. He scores all the points, but still you can't hate this guy.

The Grind Them, Milk Them business personality is a fun to work with, provided he doesn't overdo it and the deal gets ultimately closed. This personality type is a highly experienced negotiator, who is adept at hiding this asset. He has a pleasant, friendly personality and makes the most of it to close on the best terms.

The Grind Them and Milk Them personality type generally makes good deals. One example was a small Internet service provider which we managed to sell at 10-times forward EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) with no escrow. Later the buyers approached us to help them sell the business, hoping we could get as high a price for it as they had paid...

**THE GRIND-THEM-MILK-THEM TYPE OF SELLER IS A HIGHLY EXPERIENCED NEGOTIATOR, WHO IS ADEPT AT HIDING THIS ASSET.**

**THE OPPORTUNIST DOES NOT CARE WHAT THE BUYER WILL DO WITH THE COMPANY, WHAT WILL HAPPEN WITH THE STAFF OR ABOUT HIS LEGACY. HIS FOCUS IS ON GETTING THE MOST MONEY AT THE BEST POSSIBLE TIME.**

### The Opportunist

The Opportunist business personality type is a smart, if not a sophisticated, entrepreneur. He understands the dynamics of his business and is adroit at picking the best time to market it. This is a rare quality in an entrepreneur, as the best time is typically when the company is still growing and increasing its profits, when most entrepreneurs prefer to ride, not sell. The Opportunist recognizes that it is much easier to exit a still growing company with bright prospects ahead, than one that has already peaked and has nowhere to go.

The Opportunist can be a good client in that he will make the deal, even if the terms are not ostensibly ideal.

On the other hand, the Opportunist does not care what the buyer will do with the company, what will happen with the staff and about his legacy. His focus is on getting the most money at the best possible time. This is rational, but rare. Most buyers – although still out for a good price – will take into account other life-quality factors, such as finding a good owner to take care of the company's staff, and leaving their "child" in capable hands for the future.

The Opportunist will not hesitate to sacrifice his advisors, if it appears expedient. In one case, in the midst of economic uncertainty, the buyer asked IMAP for a substantial price reduction in the sale price of the company we were representing, claiming we had misinformed him about the treatment of salaries. The buyer demanded that we be dismissed as a condition of continuing with negotiations. The client/business owner decided to comply but asked us to covertly advise him.

He later realised that the buyer had been bluffing, and asked us to attend the closing. The seller shortchanged himself, as he let the buyer dictate terms, rather than use his advisor and negotiate from strength.

THE PROBLEM WITH THE STREET SMART ENTREPRENEUR IS THAT HE CAN BE SUCCESSFUL AS AN UNDERDOG, BUT LESS SO IN A MORE STRUCTURED, CORPORATE ENVIRONMENT.

### The Street Smart Entrepreneur

This business personality type is fun to work with, but can be dangerous, too. The Street Smart Entrepreneur is a risk taker who is willing to go to the edge to make a sale and sometimes selling more than he really has. He talks a good game and dazzles the buyer with his apparent industry knowledge and his bootstrapping ways of maximizing opportunities. The Street Smart Entrepreneur paints a rosy picture with a bright future full of opportunity which he would share with the investor soon as they became partners. The Street Smart Entrepreneur is a colorful personality and it's fun to be around him. He is down to earth, smart and likable and appears an attractive partner to do business with.

The problem with the Street Smart Entrepreneur is that he can be successful as an underdog, but less so in a more structured, corporate environment. This personality type is a risk seeker which he can be while in control of the company, using street-smart practices. These however may not work at a large company. The new partner, if in control, will not allow such "recklessness" and will often



kill opportunities by analysing them to death. The Street Smart entrepreneur will many times get frustrated and look for a way out of the relationship, possibly leaving the corporation/partner with the sinking ship.

### The Straight Shooter

The Straight Shooter business personality type is the opposite of the Street Smart personality. The Straight Shooter is an honest, but tough businessman who has succeeded by working hard, delivering quality at a fair price, and keeping his promises. Everything in the world of the Straight Shooter is black and white. This personality type generally loathes negotiations because he views them as just opportunities for the buyer to cheat and lie. In the business world of the Straight Shooter, his company should be sold in six months, in a bidding war of 10 strategic buyers. He has nothing to hide, his company is clean, his taxes are paid, Thus, he has no patience for representations and warranties, which are just legal tricks of the buyer to cheat him out of his escrow payments. He talks tough, but eventually wants to make a deal (or maybe he has a boss at home who wants him to make a deal).

The Straight Shooter can be handled by being honest and straightforward with him about his options. He may not like what he hears, but he will digest it and accept, if deep down it makes sense. It helps if his boss also lobbies for a positive decision behind the scene.

Each business personality type can succeed in the business environment if they stay true to their character. Knowing firmly what your strong traits are can act as a compass for your business. If you are building a team, this insight is invaluable. For solo business owners, understand that you may need outside help to balance your business personality.

Istvan Preda, CFA

THE STRAIGHT SHOOTER IS AN HONEST BUT TOUGH BUSINESSMAN, WHO HAS SUCCEEDED BY WORKING HARD, DELIVERING QUALITY AT A FAIR PRICE, AND KEEPING HIS PROMISES.

# M&A DEALS IN THE MID-ATLANTIC

SOURCE: ZEPHYR

## TOP 10 DEALS BY DEAL VALUE IN THE MID-ATLANTIC (MD, NC, SC, VA, WV) Q2 2012 (ALL 100% & COMPLETED)

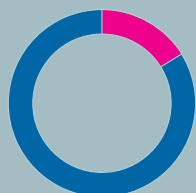
Acquiror name	Target name	Target city	Target major sector	Target turnover last available year USD millions	Target primary US SIC description	Deal value USD millions
NEW MOUNTAIN CAPITAL EMPLOYEE SHAREHOLDERS (US)	AMWINS GROUP INC. (NC) (IBO)	CHARLOTTE	Other services	36	Insurance agents, brokers, and service	1 338
GRUPO ELEKTRA SA DE CV (MX)	ADVANCE AMERICA CASH ADVANCE CENTERS INC. (SC)	SPARTANBURG	Banks	383	Personal credit institutions	764
ON ASSIGNMENT INC. (US)	APEX SYSTEMS INC. (VA)	GLEN ALLEN	Other services	539	Help supply services	605
AUGUST LUX HOLDING COMPANY (US)	SCHRADER-BRIDGEPORT INTERNATIONAL INC. (VA)	ALTAVISTA	Machinery, equipment, furniture, recycling	155	Motor vehicle parts and accessories manufacturing	496
INSIGHT EQUITY HOLDINGS LLC (US)	FLANDERS CORPORATION (IBO) (NC)	WASHINGTON	Machinery, equipment, furniture, recycling	248	Industrial and commercial fans and blowers and air purification equipment	195
THERMO FISHER SCIENTIFIC INC. (US)	DOE & INGALLS MANAGEMENT LLC (NC)	DURHAM	Wholesale & retail trade	12	Chemicals and allied products, not elsewhere classified wholesale dealing in	171
UNICOM SYSTEMS INC. (US)	GTSI CORPORATION (VA)	CHANTILLY	Other services	357	Computer related services, not elsewhere classified	78
PROSPERITY LIFE INSURANCE GROUP LLC (US)	SHENANDOAH LIFE INSURANCE COMPANY (VA)	ROANOKE	Insurance companies	328	Life insurance	59
SCBT FINANCIAL CORPORATION (US)	PEOPLES BANCORPORATION INC. (SC)	EASLEY	Banks	24	Offices of bank holding companies	28

## TOP 10 DEALS BY TARGET SIZE IN THE MID-ATLANTIC (MD, NC, SC, VA, WV) Q2 2012 (ALL 100% & COMPLETED)

Acquiror name	Target name	Target city	Target major sector	Target turnover last available year USD millions	Target primary US SIC description	Deal value USD millions
ON ASSIGNMENT INC. (US)	APEX SYSTEMS INC. (VA)	GLEN ALLEN	Other services	539	Help supply services	605
GRUPO ELEKTRA SA DE CV (MX)	ADVANCE AMERICA CASH ADVANCE CENTERS INC. (SC)	SPARTANBURG	Banks	383	Personal credit institutions	764
UNICOM SYSTEMS INC. (US)	GTSI CORPORATION (VA)	CHANTILLY	Other services	357	Computer related services, not elsewhere classified	78
PROSPERITY LIFE INSURANCE GROUP LLC (US)	SHENANDOAH LIFE INSURANCE COMPANY (VA)	ROANOKE	Insurance companies	328	Life insurance	59
INSIGHT EQUITY HOLDINGS LLC (US)	FLANDERS CORPORATION (NC) (IBO)	WASHINGTON	Machinery, equipment, furniture, recycling	248	Industrial and commercial fans and blowers, air purification equipment	195
LEAR CORPORATION (US)	GUILFORD MILLS INC. (NC)	GREENSBORO	Textiles, wearing apparel, leather	202	Textile goods, not elsewhere classified manufacturing	NO DATA
AUGUST LUX HOLDING COMPANY (US)	SCHRADER-BRIDGEPORT INTERNATIONAL INC. (VA)	ALTAVISTA	Machinery, equipment, furniture, recycling	155	Motor vehicle parts and accessories manufacturing	496
INVESTOR GROUP FREEPORT FINANCIAL LLC (US)	CETERO RESEARCH (NC)	CARY	Other services	129	Commercial physical and biological research	NO DATA
MILESTONE PARTNERS; MANAGERS; INVESTORS (US)	SOUTHERN MANAGEMENT CORPORATION (SC) (IBO)	GREENVILLE	Banks	66	Personal credit institutions	NO DATA
FIRST FARMERS BANK & TRUST INC. (US)	CITIZENS NATIONAL BANK (MD)	LAUREL	Banks	58	Commercial banks, not elsewhere classified	NO DATA

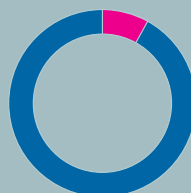
## M&A DEALS BY DEAL VALUE IN THE MID-ATLANTIC Q2 2012

Crossborder **16%**  
Domestic **84%**



## M&A DEALS BY DEAL VALUE IN THE MID-ATLANTIC Q3 2012

Crossborder **8%**  
Domestic **92%**



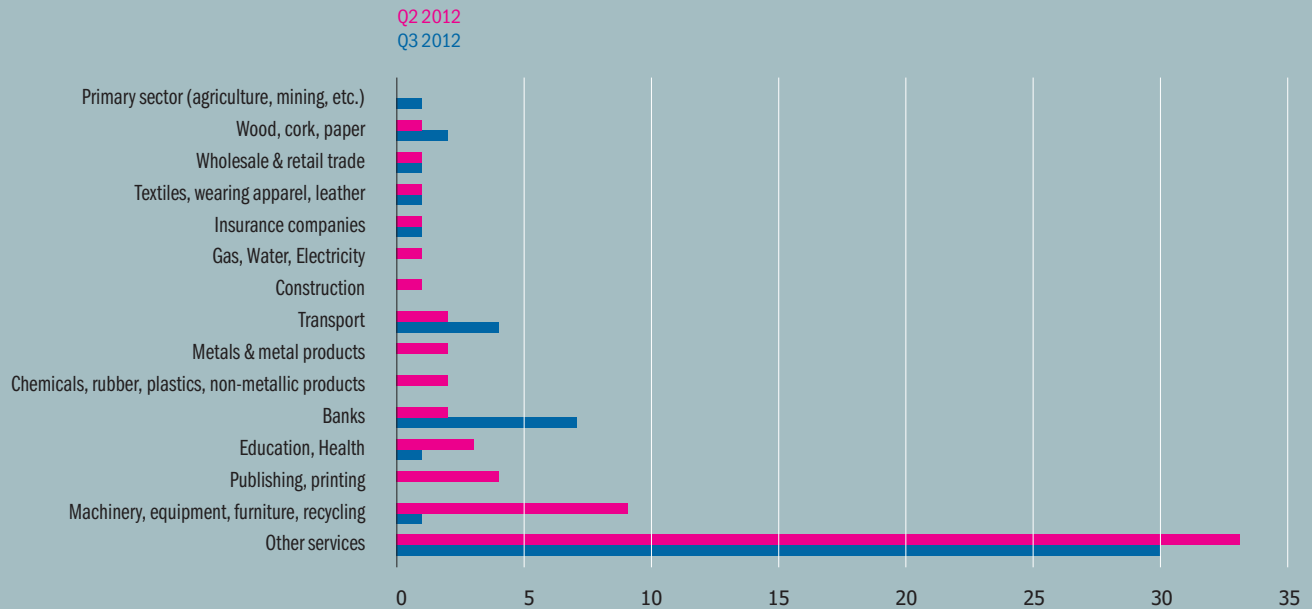
## TOP 10 DEALS BY DEAL VALUE IN THE MID-ATLANTIC (MD, NC, SC, VA, WV) Q3 2012 (ALL 100% & COMPLETED)

Acquiror name	Target name	Target city	Target major sector	Target turnover last available year USD millions	Target primary US SIC description	Deal value USD millions
DUKE ENERGY CORPORATION (US)	PROGRESS ENERGY INC. (NC)	RALEIGH	Gas, Water, Electricity	8 908	Electric services	25 835
UNITED TECHNOLOGIES CORPORATION (US)	GOODRICH CORPORATION (NC)	CHARLOTTE	Machinery, equipment, furniture, recycling	8 076	Aircraft parts and auxiliary equipment, not elsewhere specified manufacturing	19 599
SXC HEALTH SOLUTIONS CORPORATION (CA)	CATALYST HEALTH SOLUTIONS INC. (MD)	ROCKVILLE	Other services	5 330	Management consulting services	4 498
GLAXOSMITHKLINE PLC (GB)	HUMAN GENOME SCIENCES INC. (BID2) (MD)	ROCKVILLE	Other services	131	Commercial physical and biological research	3 188
THOMA BRAVO (US)	DELTEK INC. (VA)	HERNDON	Other services	340	Computer programming services	1 106
ZAYO GROUP LLC (US)	FIBERGATE INC. (VA)	ALEXANDRIA	Other services	0.9	Computer programming services	120
PIKE ELECTRIC CORPORATION (US)	SYNERGETIC DESIGN HOLDINGS INC. (SC)	FORT MILL	Other services	0.1	Engineering services	71
NEDERMAN HOLDING AB (SE)	ENVIRONMENTAL FILTRATION TECHNOLOGIES LLC (NC)	CHARLOTTE	Machinery, equipment, furniture, recycling	113	Industrial and commercial fans and blowers and air purification equipment	38
CARDNO LTD (AU)	MARSHALL MILLER & ASSOCIATES INC. (VA)	BLUEFIELD	Other services	31	Engineering services	32
PCTEL INC. (US)	TELWORX COMMUNICATIONS LLC (NC)	LEXINGTON	Machinery, equipment, furniture, recycling	21	Radiotelephone communications	19

## TOP 10 DEALS BY TARGET SIZE IN THE MID-ATLANTIC (MD, NC, SC, VA, WV) Q3 2012 (ALL 100% & COMPLETED)

Acquiror name	Target name	Target city	Target major sector	Target turnover last available year USD millions	Target primary US SIC description	Deal value USD millions
DUKE ENERGY CORPORATION (US)	PROGRESS ENERGY INC. (NC)	RALEIGH	Gas, Water, Electricity	8 908	Electric services	25 835
UNITED TECHNOLOGIES CORPORATION (US)	GOODRICH CORPORATION (NC)	CHARLOTTE	Machinery, equipment, furniture, recycling	8 076	Aircraft parts and auxiliary equipment, not elsewhere specified manufacturing	19 599
SXC HEALTH SOLUTIONS CORPORATION (CA)	CATALYST HEALTH SOLUTIONS INC. (MD)	ROCKVILLE	Other services	5 330	Management consulting services	4 498
COMMERCIAL DEVELOPMENT COMPANY INC. (US) HILCO TRADING LLC (US)	RG STEEL SPARROWS POINT LLC (MD)	BALTIMORE	Metals & metal products	500	Cold-rolled steel sheet, strip and bars manufacturing	NO DATA
THOMA BRAVO	DELTEK INC. (VA)	HERNDON	Other services	340	Computer programming services	1 106
GLAXOSMITHKLINE PLC (GB)	HUMAN GENOME SCIENCES INC. (BID2) (MD)	ROCKVILLE	Other services	131	Commercial physical and biological research	3 188
NEDERMAN HOLDING AB (SE)	ENVIRONMENTAL FILTRATION TECHNOLOGIES LLC (NC)	CHARLOTTE	Machinery, equipment, furniture, recycling	113	Industrial and commercial fans and blowers and air purification equipment	38
CENTERBRIDGE CAPITAL PARTNERS (US)	CARDINAL LOGISTICS MANAGEMENT INC. (NC)	CONCORD	Transport	88	Trucking, except local	NO DATA
SUN CAPITAL PARTNERS (US)	S&N COMMUNICATIONS INC. (IBO) (NC)	KERNERSVILLE	Construction	56	Water, sewer, pipeline and communications, power line construction	NO DATA
CACI INTERNATIONAL INC. (US)	DELTA SOLUTIONS AND TECHNOLOGIES INC. (VA)	RESTON	Other services	45	Computer programming services	NO DATA

## M&A DEALS BY DEAL VALUE IN THE MID-ATLANTIC Q2 / Q3 2012



## AVERAGE VALUE AND SIZE OF DEALS IN THE MID-ATLANTIC (MD, NC, SC, VA, WV) Q2 / Q3 2012

Sector	Average value Q2 2012 USD millions	Average value Q3 2012 USD millions	Average size Q2 2012 USD millions	Average size Q3 2012 USD millions	Remarks
Banks	209	10	81	1	Q2 average was greatly influenced by the ADVANCE AMERICA CASH ADVANCE CENTERS INC. deal
Chemicals, rubber, plastics, non-metallic products	NO DEALS	NO DATA	NO DEALS	9	
Construction	NO DEALS	NO DATA	NO DEALS	56	
Education, Health	NO DATA	NO DATA	0.5	6	
Gas, Water, Electricity	NO DEALS	25 835	NO DEALS	8 908	Q3 average was greatly influenced by the Fortune 250 PROGRESS ENERGY INC. deal
Insurance companies	59	NO DATA	328	4	
Machinery, equipment, furniture, recycling	345	6 552	86	921	Q3 average was greatly influenced by the Fortune 500 GOODRICH CORPORATION deal
Metals & metal products	NO DEALS	NO DATA	NO DEALS	251	
Other services	391	9	45	200	Q3 average was greatly influenced by the Fortune 500 AMWINS GROUP INC. deal Primary Sector
Primary Sector (agriculture, mining, etc.)	NO DATA	NO DATA	0.6	NO DEALS	
Publishing, printing	NO DEALS	NO DATA	NO DEALS	5	
Textiles, wearing apparel, leather	NO DATA	NO DATA	202	5	
Transport	NO DATA	NO DATA	14	53	
Wholesale & retail trade	171	NO DATA	5	2	
Wood, cork, paper	NO DATA	NO DATA	0.2	5	



# NOTABLE VIRGINIA DEALS IN 2012

**Deltek** Know more.  
Do more.™

## FAST DELTEK ACQUISITION

Mid-July this year Deltek, a Virginia based software company announced its intention to sell its shares for an amount between USD 900 million and USD 1 billion. At the time the company had a market capitalization just a little shy of USD 850 million. Several bidders approached Deltek, but Thoma Bravo LLC took the fastest action and by the beginning of October announced that it has acquired Deltek. The price was around USD 1.1 billion. Headquartered in Herndon, Virginia, with over 1,600 employees worldwide, Deltek is the leading global provider of enterprise software and information solutions for professional services firms and government contractors.



## WEFC-TV ON AIR AGAIN

Jones Broadcasting has acquired WDRL-TV, a Roanoke, Virginia-based television station. WDRL, which will now operate under the name WEFC-TV, has not operated since 2010 after being forced into administration. The deal value was reported to be around USD 1 million. In 2008 Living Faith Television, whose flagship station is WLFG, wanted to buy WDRL, for USD 5.25 million, but failed to close the deal.



## JOG ON WITH YOUR BABY

The Riverside Company announced that in partnership with management it has acquired Baby Jogger LLC, a Richmond, Virginia-based high performance strollers manufacturer, via a recapitalisation of the company. It was announced in May that Babson Capital Management LLC has provided USD 18.4 million in subordinated notes and USD 1.5 million of equity to finance the acquisition of Baby Jogger by The Riverside Company. Baby Jogger is the leading designer and manufacturer of high performance jogging strollers and all-terrain strollers.



## AUSTRALIAN ENVIRONMENTAL CONSULTANCY IN TOWN

Cardno Ltd of Australia has acquired Marshall Miller & Associates Inc., a Bluefield, Virginia-based engineering, geological, environmental consultancy firm. It was announced that Cardno will pay up to USD 31 million for the acquisition of Marshall Miller & Associates, from which around 10 per cent will be paid as a earn out based on performance targets over the next 12 months and 9 per cent will be delayed for 18 months. Cardno aims to be a world leader in the provision of professional services for the improvement of physical and social infrastructure. It has other offices in Brisbane, Sydney, Canberra, Melbourne, Perth, Darwin, and other regional offices in Australia. It also has international offices in locations including Belgium, England, Indonesia, Kenya, New Zealand, Papua New Guinea, United Arab Emirates, and the United States.

## GLOBENET SALE

# ENTREPRENEURIAL EXIT AND ENTER

MORE THAN TWO YEARS HAVE PASSED SINCE **ASSECO CENTRAL EUROPE**, MULTINATIONAL SOFTWARE DISTRIBUTOR, BOUGHT THE MAJORITY STAKE OF THE HUNGARIAN HEALTHCARE-IT MARKET LEADER, **GLOBENET LTD.** THE AIM OF THE BUYER WAS TO INTRODUCE THE PRODUCT IN INTERNATIONAL MARKETS. THIS SUMMER, ASSECO ANNOUNCED THE ACQUISITION OF THE REMAINING STAKE IT HAD NOT YET OWNED IN GLOBENET. WITH THE SECOND DEAL, THE INVESTOR ACQUIRED MANAGEMENT RIGHTS OVER THE FIRM, WHICH PREVIOUSLY REMAINED UNDER THE

CONTROL OF THE FOUNDER. AFTER THE TRANSACTION **ZSOLT TEMESFŐI**, HUNGARIAN ENGINEER-ENTREPRENEUR LEFT THE COMPANY HE BUILT. THE FIRST TRANSACTION WAS CLOSED WITH THE OBJECTIVE TO CONQUER THE REGIONAL MARKETS TOGETHER WITH THE FOUNDER. SO THE QUESTION IS, WHY DID ASSECO DECIDE ON THE FULL BUY-OUT AND WHAT WILL A SUCCESSFUL ENTREPRENEUR DO AFTER HAVING SPENT 20 YEARS BUILDING A COMPANY? IMAP MB PARTNERS ADVISED THE SELLERS DURING BOTH TRANSACTIONS.

### Last time we held the interview about the sale of the majority stake in GlobeNet, you said you felt enough energy to continue the Hungarian success story at the international level. What has changed?

At the time, I could also say that healthcare perhaps would not be affected by the crisis as much as other industries. But unfortunately, it did not turn out to be completely true either at domestic or on global level. However, this is not why we decided to sell and it was not because I don't have the energy anymore. It is important for an international company to control management rights, which was not accomplished in the first transaction. In addition, the investor is a company traded on the stock exchange where such issues are important. I could have stayed, but in the end I decided to start over, and explore new opportunities.

### How did the employees react to the decision?

As the crisis drags on, workers stay and wait on such decisions, instead of looking for escape routes. They are waiting for the next step of the new management. In this case our investor has a strong international background, therefore the employees were really granted the opportunity to continue and develop an international company.

### Was it hard emotionally to leave GlobeNet, you built for over two decades?

Years ago, it would have been, but now I am more experienced than that. In Hungary many entrepreneurs would want to take their business to the grave, which is a wrong approach. Company building is a profession that is independent of a particular firm and even the industry. Emotional motivation about retention or sale of a company is not very wise

### So you will also start a new business in another industry?

I undertook an obligation with the transaction to not operate in GlobeNet's markets. I do not want to say much about my present business start-ups. To sum it up, we deal with commercial systems, and energy-related businesses.

### How can you focus on multiple projects at the same time?

This is a question of management experience. I learned a lot building GlobeNet and also after our majority stake had been sold. These new companies were not started hastily or hurriedly. I had launched at a basic level in many areas of these businesses previously, so now I can pick up the threads. An entrepreneur should always consider the future, and when business is running well they should



plant seeds besides their current priorities. They will then have the chance to grow these seeds if such situation like mine-, or in worst case a bankruptcy threatens.

**Do you see indefinite success in every one of your new businesses?**

No one can see indefinite success, just the chances of success, which I do see in these firms. With some of the new ventures the return on investment will be quick, with some it may be delayed.

**Ideally what timeframe are you thinking?**

Ideally a company should make profit within two years and should return the invested money in five years.

**You mentioned some industries you are currently dealing with. In Central and Eastern Europe, the current chance of success in many industries is considered low...**

I see opportunities, in Hungary and in exporting products developed and manufactured here. Today, the business world works differently than before. Without capital and experienced management an idea is dead, even if it was an exceptionally good one. Ideas themselves are changing, they are much more complex. For start-ups the situation is difficult and in Hungary the culture to channel

innovative approaches has not yet developed. The inventor does not have the knowledge and the experience, how his product should be placed on the market. For example, if you push up the volume scale of a future product, the necessary initial steps completely change, so you might be making a mistake from the very first moment.

**Instead of starting a new company why don't you search the market for existing opportunities?**

I've learned that a 10–15 year old ocean liner at sea is very difficult to reconstruct. For me, the ideal situation is to build my own ship with a strong hull and rapid-response gas and brake lever. After launching, a few adaptations might be needed, but nothing major.

**What are the differences between incubating a company now, compared to the 1990's.**

**Will you work 24/7 again?**

Experience helps a lot in this field too. The new business will be much less of a burden than the former had been. It is a matter of organization. I am planning ten very active years ahead.

**So in a few years we can have another interview about another transaction?**

Yes, I'm sure!

# GIVE US 3 MONTHS AND WE'LL GIVE YOU THE WORLD!



## MERGERS | ACQUISITIONS | TRANSACTION FINANCING | VALUATION

Thinking of retiring at some point, doubling up with an investor partner or just cashing out to do something else? Ever been tempted to hire an investment bank to see what is out there, but were afraid to commit to a 6-12 months process?

You were right to be cautious. Such process is fraught with danger. Your competitors might discover your plans and exploit it. The sale process may distract your attention, and flatten your growth, undermining prospects for a fair price. Looming changes might prompt key employees to walk.

On the other hand, to sell at a good price you have to find buyers who can maintain current value and boost it with synergies. Such investors may live next door, but could be anywhere across the Union or as far as Europe or Asia. Tracking them down requires a global army of locally connected advisors.

Wouldn't it be nice if it only cost you 3 months to find out who is out there interested and then decide whether to go all the way with the sale? It would trump giving a year of your life and energy to try to find that investor.

IMAP MB Partners can do just that for you. Together with global network IMAP ([www.imap.com](http://www.imap.com)), we reach investors in most US states and in 40 more countries, including in Europe, Asia and Latin America. Our M&A support team in Central Europe quickly and cost effectively researches the market, drafts marketing materials, and runs the data room, while senior investment bankers manage the process for you from Richmond.

So why not give yourself 3 months to figure out what is out there? You may be pleasantly surprised to find multiple strategic investors wanting to buy or invest in your company at attractive prices. Call us on **804.205.5169** or write to **[richmond@imapmb.com](mailto:richmond@imapmb.com)** to fix an appointment when we can discuss how we could help you market your business in 3 months and what would be an achievable target price for it.



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