



## **CASE HISTORY**

### **SALE OF MID-MARKET SOFTWARE CONSULTING COMPANY. CONFIDENTIAL AUCTION YIELDS MULTIPLE BUYERS, SUPERIOR SELLING PRICE AND FAVORABLE TERMS TO SELLERS.**

The owners of a successful mid-market software development company invited Nelson Consulting / NBS in to discuss selling their company for top dollar on the world market. The owners narrowed their search for a business brokerage firm down to two: Nelson Consulting / NBS and the M&A division of a giant U.S. bank. Ultimately, the owners selected the banks' M&A division, principally based on their financial stature and perceived influence of the bank within the M&A markets. Owners executed an exclusive agreement, submitted a sizable retainer and agreed to an accomplishment fee at transaction closing. To the owner's great disappointment, the banks' M&A division defaulted on commitments, failing to perform as promised. The owners and the banks' M&A division reached a settlement. The banks' M&A division returned the entire retainer and released owners from the agreement. Owners got their money back but they lost precious time.

Nelson Consulting / NBS quickly responded, executed an exclusive Business Broker Agreement and began marketing the company on a global scale. The Seller generated 80% of their \$8M annual revenues from Department of Defense prime contractors and 20% from commercial clients. Extensive use of proprietary architecture, objects and Components Based Development (CBD) positioned the Seller to maintain long-term client retention at high profit margins. Describing the Seller's technical complexities, high-value to the technical markets served and asset value (intangible and tangible) was matched with John L. Nelson's 40 year IT experience with n-tier architectures and CBD experience.

The *Book* was completed in record time and a three-phased marketing plan was launched. Phase 1 focused on executing a robust R&D search into proprietary databases of known Buyers, carefully selecting 7,500 target prospective Buyers to receive a first class mailing containing a high-quality summary of the Seller and a Non-Disclosure Agreement. The Seller's name and location was not provided during Phase 1. Once a signed Non-Disclosure was received, Phase 2 involved E-mailing an Executive Summary to the prospective Buyer. The Seller's name and location was not provided during Phase 2. Careful qualification of prospective Buyers followed. Working only with qualified Buyers, in concert with the Sellers, their accountant and attorney, a priority sequence of ideal prospective Buyers were established. In priority order, Nelson Consulting / NBS contacted each prospective Buyer and arranged a conference call and/or a site visit between Buyer and Seller. Phase 3 commenced with Nelson Consulting / NBS facilitating presentation preparation for the conference call and site visit. E-mailing the *Book* to a prospective Buyer was carefully timed to maximize advantages to the Seller. The *Book* is a full disclosure document, heavily weighted with past, present and forward-looking financial statements, augmented with supporting financial data. Sellers name and location was fully disclosed in Phase 3.



For this client, Nelson Consulting / NBS lined up a substantial number of qualified strategic and financial Buyers. The *Confidential Auction* involved pitting multiple prospective Buyers against themselves in a highly competitive concurrent bidding environment. Nelson Consulting / NBS narrowed the field, with the help of the Seller, to the top three preferred Buyers. Letters of Intent (LOI's) were secured from all three. The dynamics of the *Confidential Auction* kicked into high gear and the LOI's price and terms were enhanced by all three *bidders*. One *bidder*, in their second LOI, was a high-tech Japanese company that offered \$8M in cash – U. S. dollars. A second *bidder* was a multinational company that offered to acquire the majority interest in the Seller and retain the owners in senior executive positions within the Buyer's company. A third *bidder* offered the Sellers \$8M; half-in cash, half in stock in Buyers publicly held U. S. company and the Presidency and Vice Presidency roles in the surviving company.

The Sellers chose their Buyer by selecting the third *bidder's* revised LOI, closing the transaction within thirty days. According to the Sellers, the deciding factors were as follows: 1. The “fire in the owner's belly” still burned bright and they preferred to continue working. 2. The Buyer is a publicly traded company with a business model of growing revenues by way of acquiring high-tech companies to reach a two-year revenue target of \$100M. 3. Sellers would become President and Vice President of the Buyers' publicly held company, charged with executing the acquisition strategy and leading the consolidated high-tech companies growth. Executive compensation would be based on attainment of plan and heavily weighted toward stock option bonuses in the public company. 4. The \$4M up-front cash offer satisfied the Seller's family financial requirements. According to consultive advice extended by the owner's tax accountant, a favorable IRS capital gains tax treatment placed on receiving stock certificates in the Buyers company, in lieu of cash, would be both prudent and profitable as an attractive investment.

The Sellers requested that the Buyer's name, their company name and their personal names not be revealed to the markets at large due to the sensitive nature of their current leadership positions within the acquiring company. We have agreed to protect and sustain their confidentiality. However, they volunteered the following reference.

“The Confidential Auction really works. John Nelson & NBS presented several qualified Buyers that matched our criteria. Leveraging multiple Buyers to compete against each other enhanced our selling price and terms.” *Seller Confidentiality Protected*