

Information Memorandum Preparation Guide



Confidential

MyAdvisor Limited

Mergers & Acquisitions | Sales & Transitions | Strategy

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1.0 Introduction

Background:

To facilitate the successful sale of your asset, whether partial shareholding or the full enterprise, our process includes having an information memorandum completed for vetted prospects. We will work with you to draft and approve a final version.

We will only hand out your investment memorandum to prospects that we have vetted and sought written permission from you authorising us to do so. A well-structured information memorandum provides the right background on your business in order for a prospective investor, to move forward in the sale process toward making an offer.

This includes demonstrating the background of the business and current ownership alongside the financial performance and health of the business. We look to present how and where you trade in your particular market place and where the potential risks and opportunities will be for a prospective investor. We provide operational and financial analysis as well as investment funding modelling.

This guide will support you through the information preparation process.

2.0 Financial Information

2.1 Historical Information

We will need you to provide us with your end of year tax accounts for the past 3 – 5 years, including profit & loss statements, balance sheet and shareholder account information for each of the preceding trading periods. In addition, if you have any intercompany trading activity we would also request to review these statements. Typically, the annual financial tax accounts from your accountants are preferable, however you may have more complex reporting to accompany the accounts that will be useful.

2.2 Current Financial Reporting

Typically, if we are looking to sell your asset through the middle of the financial reporting period or prior to you having your annual accounts completed then we would look to present your current management accounts or reporting.

2.3 Current Financial Forecast

We also look to provide a forecast for the current financial period, as well as a 3-year forecast on the headline performance areas such as revenue, gross contribution, key expense areas and forecast earnings.

2.4 Depreciated Fixed Asset Schedule

We will require your fixed depreciated fixed asset schedule. Many businesses have not managed this schedule well so it useful to review all assets are included, and any excluded from the sale are removed.

Your preparation checklist

- 1 Past annual financial tax accounts for last 3 - 5 years
- 2 Actual forecasts for each of those years (to demonstrate whether company achieved forecast in each period)
- 3 Do you have the latest financial statements from your accounting firm?
- 4 Your current year management accounts
- 5 Your current year forecast
- 6 3 Year forecast summary
- 7 Depreciated Fixed Asset Schedule

Please note: If you see any issues in preparing any of the above information, please advise us as early as possible so we can work and support you through this preparation process.

This information will then be analysed and presented in tables to be included in your Information Memorandum.

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3.0 Business Overview

3.1 History of the business

Please provide a bullet point summary on the history of the business, from when it was formed to key milestones and where and how it has progressed today. IF there are references you would prefer us to use such as your website please provide details below.

Business History Summary

3.2 History of the current ownership

Please provide a summary of the current ownership including structure such as shareholders, working shareholders, directors and any other ownership structure including joint ventures in other entities or related interests.

Ownership Summary

3.3 Value Proposition

Please provide your top five propositions in relation to the value of your business to any prospective purchaser. As examples this may range from the access and relationships you have with your supply to chain, to exclusive distribution or agencies through to customer contracts or the quality of your client base. IT is important that these propositions are real and can be proven, rather than anecdotal or perception based. We will look to ratify these with you to ensure they are robust in our IM interview.

Top Five Value Propositions
1.
2.
3.
4.
5.

3.4 Personnel / Management Structure Overview

Please provide a summary of your management structure and reporting personnel. It is important to include any working shareholders/directors in the business, and any succession options that may be available. Feel free to provide an organisational chart if you have one documented. We would prefer to MS editable version if available. Typically, what we are trying to demonstrate here is what reliance the business has on key personnel and the business owners if they are working in the business. You can use the table below as a template or provide your own.

Position	Key Roles/Responsibilities	Tenure	Rem (\$)
<i>e.g.</i> <i>M.D.</i>	<i>Executive Management / Management team leadership / Head of Finance (Running 3 reports in finance team)</i>	<i>6 yrs.</i>	<i>S/H Salary</i>
<i>e.g.</i> <i>Sales Manager</i>	<i>Executive team / Sales strategy / Product and Pricing / Key accounts / Managing 5 reps</i>	<i>3 yrs.</i>	<i>\$160k + 10% bonus + car</i>

3.5 Occupancy Overview

Please provide a summary of your occupancy conditions and expenses using the table below. If your business is a multi-site operation, then duplicate the boxes.

Site Location	
Gross Rental (Annual)	
Opex and Rates	
Insurance	
Current Lease term	
Next rent review date and terms	
Lease Expiry Date	
Rights of Renewal (s)	

4.0 Operational Analysis

4.1 Product(s) and or Service(s) overview

Please provide an overview of the key products and or service categories that form the majority of your revenue generation, with a breakdown of the gross revenue that each create. Feel free to provide internal reports.

Product / Service Category	Details	Gross Revenue	Gross Profit Contribution

4.2 Product(s) and or Service(s) data

In order for us to undertake some analysis, it will be useful for you to provide either in the format below or by supplying internal reporting on performance by product and service over the past 3 years to identify trends. Feel free to provide internal reports.

Product / Service Category	Current year Forecast	Last year Revenue	Previous Year Revenue	Previous Year Revenue

4.3 Supply Chain overview

Please provide an overview of key supply chain relationships that relate to the above product if applicable in your business operation. We do not need to know identities, and this can be anonymous. If you can provide annual purchase amounts and gross profit contribution for each of your supply chains that will be helpful.

Supply Chain Summary

4.4 Customer / Client Overview

Please provide an overview of your different types of customers and why they purchase from you. An overview of the different sales channels you use, and how you attract and retain customers.

Customer / Client Summary

4.5 Customer Data

Please provide data of your top 20 customers if applicable and what they spend, any contracted revenue details or database summary information you may have on your customers. It would be useful if we are able to obtain this data in MS editable formats. Through our discussions we will be able to provide further advice on what we believe will be useful to a prospective investor. Again, all identification will be anonymised.

4.6 Industry Overview

Please provide an overview of the industry or industries you compete in. This may include the size of your industry and your market share, or the trends happening in your industry including opportunities and challenges. Often, we need to provide a degree of education to the prospective investors. We also want to demonstrate that as a business you are connected as to what is happening in your market place.

Industry Overview

4.7 Competitor Overview

As with the industry overview above please provide any information you can about your key competitors, channels to market and what some of your differentiators or sustainable competitive advantages may be.

Competitor Summary

4.8 Opportunity Analysis

Please provide the top five opportunities you believe an investor would have in purchasing your business given the goodwill they would be investing in. These may include internal changes in the business to leverage opportunities or current opportunities you are working on with key customers or contracts.

Top Five Opportunities
1.
2.
3.
4.
5.

4.9 Risk Analysis

All investments contain risks, and in our experience, it is more productive to 'front foot' and position these risks that will certainly be identified by an investor. Please review the table below and add your comments.

Category	Risk (High/Med/Low)	Comments
Customer Concentration		
Key Personnel		
Your Industry		
Size & Nature of Operation		
Technology		
Competitors		
Social trends		

5.0 Investment Strategy

This last part of the preparation process is designed to ensure shareholder alignment before we begin the sale process and is useful for discussion purposes.

5.1 Business Valuation

We strongly recommend you engage with an accountant who can complete a registered business valuation on your behalf. There are a number of different valuation methodologies that are used depending on the asset, the industry, the risks, how it is sold and in what selling condition it is presented. It is imperative that the shareholders are aligned as to their price expectation. Typically, the key number is the goodwill figure that makes up the total enterprise value formulation. If you need further information, please talk to us as soon as possible.

5.2 Potential Purchasers

Are you aware of any potential purchasers for your business? We often sell many businesses within their industry to competitors and up and down in the supply chain. These sales often need a delicate approach, however tend to yield the best results. We rely as a first step to discuss these options with you as the vendor.

5.3 Funding Options

Have you considered earn out options, management buy ins or part vendor finance options to gain more value in your deal transaction. Talk to us to learn more about the pros and cons of each.

Through the information memorandum process we will undertake third party funding and investment analysis to show you and prospective investors what this will look like.

Note:

1. All information you supply will remain confidential.
2. We will prepare a draft IM for you to review and approve.
3. We will compile an investor profile on your asset for you to approve.
4. We will obtain in writing approval from you to share the IM with any potential purchaser.

Thank you for taking the time to complete this preparation document.