



Understand what buyers want

The Brazilian market for mergers and acquisitions is approximately 1/5 of the North American market and 1/6 of the European market in terms of number of transactions, reflecting the resumption of growth and good prospects for the segment.

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With the slow economic recovery in the United States and Europe and the focus of much of the foreign investment in the world directed to China, Brazil configures itself as the new frontier and an important destination for foreign investors. The country has a strong, diverse and well regulated economy, positioning itself as a major focus for acquisitions by international firms.

This partly explains the growing number of mergers and acquisitions in Brazil. There were 176 transactions in the mergers and acquisitions market in the period from January to March this year and 751 total transactions in 2011.

Given this data, ask yourself bear in mind one question: do you know what buyers look for in a company?

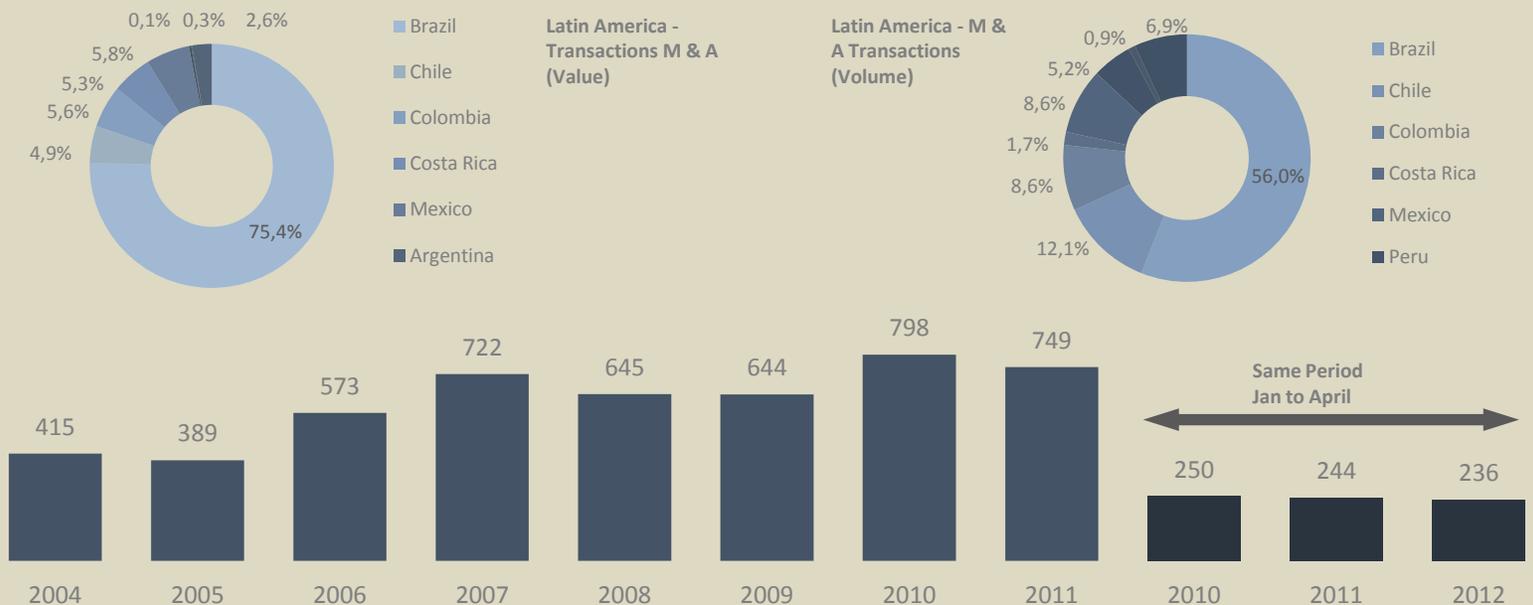
The reasons why an entrepreneur seeks a buyer for your business are many. Succession issues, personal interest to devote to other projects or simply believe that his/her cycle as an entrepreneur in that industry is nearing its end, are the main motivations for sale of the entire company. There are still cases of participation sale and association

with other companies, where occurs an entry of a partner to implement a growth plan.

Likewise, the decision to acquire or become a partner in a company can be taken based on different motivations.

Transactions in Brazil

In number of trades per year



The central point for evaluating any buyer is the detailed analysis of the company's ability to generate future cash flows. In addition to the significance of a business segment, a comprehensive analysis of the sector and industry changes are basic factors in an investment decision. The target company does not necessarily need to

be an industry leader, but must possess attributes that puts it in a prominent position in the industry. A strong brand or distribution system, or important geographic presence are factors that attract the attention of both strategic investors and private equity funds.



The higher the growth potential of the industry and the greater the difficulty replicating the business model, the greater the interest in the company and the more offered in terms of value. If there are buyers in the sector and few opportunities to acquire companies with characteristics like yours, consider yourself in a prime position.

However, do not overlook the bargaining power of the buyer. It probably already acquired other companies, and has extensive experience in mergers and acquisitions, often much more than the seller.

Accordingly, the company's level of preparedness for the sale process is very important to closing the deal. That's because many companies are not prepared to receive due diligence, often demonstrating a lack of organization with respect to accounting records, corporate governance instruments, etc. Finally, the company may be unable to gather enough

reliable information to provide the necessary security for the investor who wishes to purchase, and thus this reflects significantly on its valuation and even on the loss of a business opportunity.

To counteract this discrepancy between the experience of the buyer and seller, it is helpful for the seller to seek expert advice. Furthermore, the time spent on a transaction is often high and intensive, and it can be risky for company management to lead the process, as, without the necessary support, the focus on the company's daily operations to negotiations, and hurting financial performer (and even valuation), besides provoking wear on the relationship with the potential investor due to certainly disagreements in processes of this nature.

Source: *Merger Market*