Article - Mistakes Made by Architectural and Engineering Firms Attempting to be Acquired or Selling on Their Own – Part III.

Many have grown to rely on Stonemill Partners and our expertise when selling or buying an Architectural or Engineering firm. Our articles and other information resources have proven to be invaluable in transition planning and being represented for acquisition.

It is in that spirit that we offer the following content related to things we hear often:

This is the third in a series of short articles that will help in your planning as well as help to as a base for your conversations with us.

1. Neglecting the day-to-day operation of the business during the M&A process, including business development. The process of selling a firm can be distracting and somewhat time consuming. Management must keep its eye on the ball and ensure that the firm continues to grow and operate efficiently in line with a fair representation given to the buyer. One of the worst things that can happen in an acquisition process is for the selling firm's financial situation to deteriorate during the process. This could kill the deal or result in the buyer renegotiating price and terms.

2. Failing to communicate the vision and strategic fit of the seller with the buyer. The selling company must be able to effectively communicate to prospective buyers the company's strategy and growth opportunity. Regardless of the company's current performance, unless a buyer is excited that the company will continue to grow and be valuable to the buyer in the future, a deal may not happen. If the buyer is a strategic buyer, synergies and strategic fit of combining with the acquirer come more into play.

3. Absence of credible financial projections. The buyer will spend time doing a due diligence on the company's current financials and future projections. Unreasonable projections or unrealistic assumptions will adversely affect the credibility of the seller. The seller must be able to convincingly demonstrate the reasonableness of projections.

4. Not considering change of control provisions in key contracts. If the selling firm has key contracts, licenses, or leases that require consents from third parties in connection with a change in control of the firm, it is critical that these consent requirements be identified early on in the process. A plan should be developed to obtain those consents in a timely manner. A buyer may insist that those consents be obtained prior to a closing of the sale.

A brief note about Stonemill Partners: Stonemill Partners is a mergers and acquisitions advisory firm working only in the A/E/C with companies like yours. We are looking to help others meet their transition objectives and to sell successfully. You can discover more about the Stonemill Partners' approach and see our listings at www.stonemillpartners.com.

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