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Pragmatic Advisors

The Region's Leading Advisor on Family Business

**THE VALUE OF A BUY-SIDE MANDATE TO
FAMILY PRINCIPLES**



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Although debated, still the most effective strategy to expand a family business, create shareholder value, diversify or enter new markets, is the acquisition of other businesses. Indeed the Private Equity Model is the perfect example on that, and continues to evolve with even a lower monetary commitment from the General Partners. While private equity professionals used to invest a portion of their own money, private equity firms today have evolved primarily to deploy dry powder on behalf of others, walking away happy with their management fees and carried interest. Such skin-deep model underpins the attractiveness of the realized returns and consequently the affinity of Family Principles, Family Offices, V/HNWIs and other institutional investors to the notion of buying other businesses under the management of talented General Partners.

A SHIFT TO ORGANIC MANAGEMENT MODE

However, as the private equity industry has matured and grown, players have encountered many challenges that obliged them to change and align. The foremost challenge was “specialization”. In order to better compete and ensure high value multiples, many private equity firms have created specialized industry “silos” manned with investment professionals with deep expertise in a select range of sectors.

Such professionals are mainly focused on cross airing more promising targets and implementing, at a post-acquisition stage, deep-dive improvement and growth

strategies to take the exit multiple through the roof - thus divorcing the conventional investment banking-style financial engineering role.

Understanding this fact, Family Owned Businesses, with profound specialization and track record in a specific industry, are no far from putting a stake in the ground on managing and growing their own sector-relevant acquisitions. While some are extremely sophisticated on that end, the missing link for many others, remain in their ability at early stages to source and execute the transaction, more specifically:

- Sourcing the right deals
- Uncovering risk and uncertainties surrounding a transaction
- Identifying Key value drivers and assumptions about future performance
- Devising the optimal deal structure

HOW CAN FAMILY OWNED BUSINESSES ADDRESS SUCH LIMITATION?

Marrying a Buy-Side advisor has proven to be fairly lucrative in coming to happy endings. In simpler terms, committing to a Buy-Side mandate is a situation for retaining an M&A advisory team that usually takes the full project management responsibility for an acquisition process - be it a general acquisition process or an

acquisition process - be it a general acquisition process or an acquisition of a specific target. Although the process is generally underestimated, it holds great value to Family Principles through the following:

- Continued board and management focus on current businesses
- More attractive investment opportunities through exposure to great deal flow
- Alleviated transaction costs based heavily on success
- Higher chances of success through the combination of professional process management and securing a good dialogue with the targets

HOW CAN OKEILI & CO. HELP?

Working in full cooperation mode with the Board, our team starts at understanding client objectives and the strategic rationale for making acquisitions. Once that is in place, a wide search is conducted and potential targets are shortlisted against predefined criteria. The team then moves to collect information, carry out the target valuation analysis and kick off early negotiations with the preliminary offer. Once price consensus is in place, confirmatory due diligence with relevant parties is executed followed by finalizing the deal structure and the related legal documentation.

For more information on Okeili&co Next-Generation advisory efforts, please write us to engage@okeili.com

