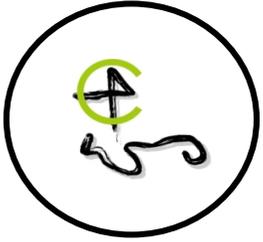


C Consultancy

Fund Raising || Management Buy-Out || Trade Sale || Merger & Acquisition || Corporate Strategy

Greater China || Southeast Asia

Digital || Advertising || Media



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Management buy-out (MBO): The Basic Questions

1. Is the MBO doable?
2. How to pitch a MBO?
3. How long does a MBO take?

How We Create Client Value

As a boutique firm, our focus is on the digital, advertising and media industry. By way of clarification, this is not a grammatical error because we see these three industries as one connected industry and hence, the use of “singular” industry.

Apart from management buy-out, we work on a broad range of customized transactions including interim management, mergers & acquisitions, corporate finance, and corporate strategy.

Our industry focus has enabled us to develop two key strengths.

Firstly, we have the experience and expertise to undertake a broad range of deals within the industry.

Secondly, we have a portfolio of working relationships with numerous industry players across the entire ecosystem.

As a result of our strengths, we are confident of delivering quality services, and this is reflected in our fee structure, which is largely contingent on achieving the desired results of our clients.

This is how we create value for our clients.

Is the MBO doable?

Don't put the cart in front of the horse.

This may sound simple but it's a fundamental question that is quite often overlooked: is the MBO do-able?

As a first step, we need to make an initial assessment on the probability of whether the owner will sell or not, and if not, it is advisable that we do not proceed till the conditions are conducive.

If the answer is yes, we will assess other factors that include:

- a) amount of financial investment that the MBO team is able to commit (and the time commitment too)
- b) relationship between the owner and the MBO team
- c) "Plan B" if the MBO doesn't materialize
- d) the conditions and price at which the owner will consider selling, and whether in whole or in part
- e) the equity story after the MBO that has a reasonable chance finding investors to finance the deal
- f) fee and equity arrangement with the MBO advisors

The fundamental question of whether the MBO is doable or not will need to be addressed first, and doing anything other than this is akin to "putting the cart in front of the horse".

How to pitch the MBO?

Convince owner to sell, and investors to fund.

Once all or most of the boxes in the initial assessment have been ticked, it's time to work on the pitch.

Essentially, the pitch is a value proposition to convince the owner to sell, and the investors to fund the deal.

The pitch is typically set out in an investment memo or a business plan, which includes:

- a) Summary of the MBO deal
- b) Business & Industry
- c) Historical financial performance
- d) Strategy & plan: now and future
- e) Growth and financial projections
- f) Valuation
- g) Management background
- h) Funding & deal structure
- i) Exit options

It is important to note that the investment memo is not a matter of writing a pitch: it's the outcome of a rigorous and robust due diligence process between the MBO team and the advisors.

Once the investment memo is done, the pitch to both the owner as well as the investors will be done by the advisors (in the interest of discretion, the MBO team will be involved later).

How long does a MBO take?

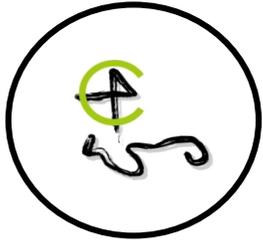
Typically between 6-12 months but delays are not uncommon.

	Month						
	0	1	2	3	4	5	6
Initial assessment	■						
Draft investment teaser & memo		■	■				
Owner negotiations			■	■	■	■	
Investment teaser to investors				■			
Investment Memo to investors				■	■		
Investors due d & negotiations				■	■	■	
Prepare & sign legal agreements						■	■

This is an indicative 6-month timetable setting out the key tasks in a MBO.

Delays are not uncommon, and the timetable can easily be stretched to 12 months or even longer.

The above is the typical flow but note that it is not a linear flow as the MBO team is concurrently dealing with owner and investors, each with a different agenda .



C Consultancy

We are based in Hong Kong and our office is within 5 minute walk of Starbucks and Pacific Coffee. There are also a couple of watering holes for those who prefer to chat after office hours.

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A few words about our people.

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YF Ng, Partner, is an old China hand – having navigated the complex environment of negotiating, buying and shipping goods from China to the US and Europe since 1990. "Never a dull moment," is YF Ng's tactful take on doing business in China. Contact: Yfn@c-consultancy.com

HH Chan, Partner, is a native of Guangdong, an economic powerhouse province. Armed with a western degree and international outlook, HH Chan has been honing the art "tight rope walking" between Chinese and western stakeholders since the late 1990s. Contact: Ichh@c-consultancy.com