



Before Sale and Merger Planning

Is your business ready when opportunity knocks?

At the core of every business is the need to create value. Many winery owners have no intention or desire to sell their companies, but they should be managing their business as if they intend to sell it tomorrow. Value is not only important at the time of a transaction, but it can also be critical to ongoing operations such as raising capital, entering strategic partnerships, succession and tax planning.

Over the course of their corporate and entrepreneurial careers, Michael Houlihan and Martin Jones have been responsible for numerous acquisitions, sales and mergers. They have seen the importance of preparing a company for sale or merger long before the “For Sale” sign goes up. Managing a business towards sale or merger is applicable to every area of day-to-day operations.

Houlihan & Jones have developed a comprehensive program to help owners prepare for a potential sale or merger. In many cases the process of getting ready can take months or even years. The process must avoid disruption by balancing the organization’s stability with its tolerance for change. It has as much to do with managing culture as it does with the operating practices and disciplines on which the business is run. It begins with a 360 degree review of the business, analyzing ten key value drivers.

Value Analysis

1. **The real P&L and Balance Sheet** - hidden value, buyer synergies, ownership costs, GAAP accounting vs. management accounting.
2. **Business effectiveness** - benchmarking the competition, management competencies and limitations.
3. **The “value drains”** - impediments to progress, resource dilution and depletion.
4. **The organization’s structural stability** - personnel commitment and security, stress tolerance, compensation plans and practices.
5. **Market viability, trends and direction** - product life cycles, consumer behavior, commoditization.
6. **The business proposition, position and competitive advantage** - consumer relevance, trade practices, public perception.
7. **Intelligence systems** - generating information that is timely, accurate, analytical, and prognostic.
8. **Potential buyer profiles and fits** - market knowledge and insight, portfolio management.
9. **Tax and equity planning** - optimal equity structure, tax implications.
10. **The due diligence plan** - anticipating a buyer’s needs and interests, minimizing the closing process.

From this analysis comes a health report highlighting the company’s value building effectiveness and specific actions that might be required to optimize value creation and M&A preparedness. The final stage involves assisting ownership and management with the implementation and execution of the action plan coming from the health report.

Houlihan and Jones are not sales agents or investment bankers. They are operating specialists who know how to optimize the performance of beverage alcohol businesses and manage them through periods of transitions. They understand how the market gauges value and what wineries can do to invite opportunity.