

MANAGEMENT BUYOUTS

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Overview

A management buyout (“MBO”) refers to the process of management acquiring a majority or significant minority stake in a company, generally as a means of providing an exit strategy for business owners. MBOs are also commonly used where a conglomerate is looking to spin off an operating division.

MBOs can provide a viable exit strategy alternative for business owners and an attractive opportunity for management, particularly where the company has good growth potential and financing can be secured.

In most cases involving companies of a meaningful size, MBOs involve one or more commercial lenders and/or private equity firms that provide financing to facilitate the transaction. The amount of financing required, and whether debt or equity financing is raised, depends on the size of the transaction, the financial resources available to management and the debt capacity of the company.

Where a private equity firm becomes involved, the MBO process becomes a dynamic among three parties, being: (1) the business owner; (2) the management team looking to acquire an equity interest; and (3) the private equity firm seeking a return on invested capital. The interests of the various parties involved in an MBO are naturally conflicting to some degree. The business owner wants the highest price for the company, management wants the ability to acquire the largest equity stake possible in the company, and the private equity firm is seeking to maximize its own return on invested capital. In order to be successful, an MBO must be structured to satisfy the collective, yet conflicting, interests of these parties.

MBO transactions are more likely to be consummated where the business owner has realistic expectations as to the value of their company and they are prepared to work with the management team and financial investors in terms of deal structuring and transitional assistance. A critical aspect of the MBO lies in the perception that the financial investors have with respect to the management team in terms of their abilities, depth, and commitment to the company. The business owner and the management team should seek the right private equity ‘partner’ in terms of their financial resources, alignment of interests and the value-added services that they offer.

MBOs as an Attractive Alternative

At the time of writing this paper (summer 2010), the North American economy is showing signs of life following a harsh recession. Prior to the recession (which commenced in the fall of 2008), there was unprecedented buoyancy in the financial markets, fuelled by easy access to low cost debt financing. This resulted in private equity firms bidding for target companies at valuations that rivaled strategic buyers, using excessive amounts of financial leverage.

It is unlikely that we will see the glory days of the mid-2000s return anytime soon. However, many private equity firms have re-entered the marketplace over the past year, eager to place the capital that they had raised during stronger economic times. Many private equity firms prefer management buyouts to venture capital type investments, because MBOs tend to involve established companies and are often viewed as comparatively lower risk.

We are entering an era where unprecedented amounts of wealth will change hands, due to the aging of the baby boom generation. From a business owner's perspective, an MBO can be an attractive exit alternative because it is generally a quicker process than selling to an outside buyer. Furthermore, an MBO avoids the risk of exposing confidential information to competitors.

MBOs can also be attractive from a deal structuring perspective. It should be remembered that there are three parties to every deal—the buyer, the seller and the government. Therefore, what should matter to the business owner is not just how much their company is sold for, but how much they get to keep in their pocket following the transaction. As a general rule, MBOs and private equity firms tend to offer more flexibility *vis-à-vis* deal structuring, as compared to strategic buyers.

MBOs offer the promise of lucrative upside for company management as well as the business owner who retains a residual equity interest. In this regard, many business owners are sentimental, and feel that management has earned the opportunity to participate in the future economic gains of the company. In fact, as will be illustrated later in this paper, management often stands to be the biggest winner in a successful MBO.

The MBO Process

MBOs can be thought of as comprising eight stages, which are set out below. However, it should be noted that these stages are not always distinct, and they may overlap or even change order, depending on the deal.

1. Initial discussions between owners and management
2. Initial valuation
3. Preparing the confidential information memorandum
4. Identifying financial investors
5. Preliminary due diligence
6. Negotiating the terms of the deal
7. The term sheet
8. Closing

1. Initial Discussions between Owners and Management

The business owner may approach management, or vice-versa, to determine their level of interest in acquiring (or selling) the company. In some cases, management approaches the business owner after the process has begun to sell to a strategic buyer. This can be problematic due to the conflict of interest that it can create. Management may want to downplay the value of the company to strategic buyers in favour of enhancing their own position. In order to avoid such a situation, business owners will sometimes offer management the opportunity to share in the upside that a strategic buyer will pay, in excess of what management has offered for the business. While this erodes the proceeds received by the seller, it is often a necessary tactic to ensure that the interests of the business owner and management are aligned.

2. Initial Valuation

The business owner and management should establish a reasonable estimate for the value of the company. Negotiating an MBO value can be an awkward experience. Unlike negotiations with a strategic buyer, in an MBO the business owner and management know each other, sometimes very well. In addition, management has the advantage of first-hand knowledge of the company, including its risk profile and growth prospects. This situation is particularly acute where the business owner was not active in the company prior to the sale and so management is better informed. Management may attempt to downplay the company's strengths and emphasize its risks in order to negotiate a better deal. In many cases, the parties agree to retain an independent valuator to help establish a fair price.

Whether the initial valuation represents the ultimate purchase price will be subject to management's ability to raise capital and the dynamics of negotiations with financial investors (where they are involved). However, the initial valuation exercise helps to ensure that the parties are reasonably aligned with respect to expectations prior to soliciting investor interest.

3. Preparing the Confidential Information Memorandum

Where financial investors (debt or equity) will be required in order to facilitate an MBO, management will need to prepare a confidential information memorandum ("CIM") to entice those groups. The CIM should contain sufficient information about the company, its product and service offerings, customer base, market position and financial results to allow prospective investors to assess their level of interest. In particular, the CIM should highlight management's capabilities, strategic plans and growth opportunities, which are key considerations for financial investors.

4. Identifying Financial Investors

Where external financing is needed to consummate the transaction, the business owner, management and their advisors will identify providers of debt and/or equity financing that may be interested in the deal. Financial investors can generally be categorized as senior debt lenders, mezzanine debt lenders and private equity firms. Senior debt is attractive due to the lower cost of interest payments (which generally are tax-deductible). However, it is important to remember that it is not just the cost of financing that needs to be considered, but also the restrictions that may be placed on the company as a condition of financing.

Where the financing gap can be satisfied by debt, that route usually is chosen as it does not result in any equity erosion for management or the business owner who retains a residual interest. However, equity financing may be required where adequate debt financing cannot be secured on reasonable terms. In either case, the business owner and management should endeavour to develop several good financing alternatives in order to create an auction among financial investors.

In order to successfully negotiate and structure the financing needed to support an MBO, both the business owner and management need to have an understanding of what the different types of financial investors consider when making an investment and how they behave. This topic is addressed later in this paper.

When searching for the right private equity partner (where one is required), management will begin by searching for those firms that have stated investment criteria that meet the profile of the company. This includes company size, industry, geographic location and whether the private equity firm desires a controlling or minority position. Most private equity firms set out their investment criteria on their website, which helps in identifying the firms that might have an interest.

5. *Preliminary Due Diligence*

Financial investors that express an interest in the opportunity are provided with a copy of the CIM. Those with a continuing interest following a review of the CIM will conduct further due diligence, including meetings with management and access to additional information (often provided through an online data room). In this regard, it is important to remember that these meetings should be viewed as a two-way street. Management and the business owner should strive to learn about the financial investors in terms of the reasons for their interest, operating style and decision making process. This will not only help in selecting the right financial partners, but such information is essential in negotiating the financing terms.

6. *Negotiating the Terms of the Deal*

While the value of the company may be initially negotiated at the outset of the MBO process, it will be subject to the dynamics of further negotiations with lenders and private equity firms (where they are involved). As with any transactions, the terms of the deal can be just as important as the stated purchase price. In the context of an MBO, some of the particular deal structuring considerations that often arise include the following:

- whether the owner intends to sell 100% of the company or retain a residual interest. An MBO transaction often is facilitated where the business owner agrees to retain a residual interest because it reduces the initial cash outlay required and often provides added comfort for financial investors that the owner continues to believe in their company. Properly structured, a residual interest can also provide some meaningful upside potential for the business owner. Business owners must be cautious however, as retaining a residual interest means that they become a minority shareholder in their company. Consequently, the terms of a shareholders' agreement become paramount. In particular, the provisions governing the liquidity of the residual equity interest are of primary importance;
- promissory notes are common in MBOs, particularly where sufficient commercial debt financing cannot be raised. However, the business owner must be cautious because, unlike strategic buyers that may have other assets to secure the note, management often has minimal security to offer;
- earnout arrangements can be a useful deal structuring tool. Earnouts sometimes are easier for business owners to accept in an MBO situation where they are comfortable with the capabilities and integrity of the management team. Further, there is less concern about the potential impact of changes than there would be with a strategic buyer, who may enact changes that will materially impact the company's financial performance post-closing. However, earnouts are still problematic and represent risk capital for the business owner; and
- the role that the business owner will play after the MBO is completed. Business owners who were active in the company should expect to remain active for a period of time following the transaction in order to ensure a smooth transition with employees, customers and suppliers. This transitional assistance may be of particular importance to financial investors.

7. *The Term Sheet*

Financial investors that are interested in the opportunity following their initial due diligence will submit a term sheet (similar to a letter of intent), which sets out the terms of financing the transaction. In this regard, it is common for financial investors to seek arrangement fees, 'stamping fees' and the recovery of legal costs in order to proceed with the transaction, which costs can be significant.

The financial investors offering the term sheet that best meets the needs of the business owner and management are provided a period of time to complete their due diligence and to negotiate the definitive agreements.

8. Closing

The closing of the transaction involves the financial investor's detailed due diligence (e.g. audit, legal, environmental), negotiating the lending agreement (in the case of senior debt and mezzanine lenders), the purchase and sale agreement and related shareholders' agreement (in the case of a private equity firm), and finally closing. The process of closing the MBO is similar to that of selling to strategic buyers, and the business owner should endeavour to ensure that no surprises arise during the closing period.

Financing the MBO

Senior Debt Financing

Senior debt financing refers to debt that ranks ahead of other creditors in terms of its claim on the assets of a business. In most cases, it is secured by specific assets, and is sometimes called asset-based lending. Senior debt lenders tend to have a risk adverse mentality since they are at risk of experiencing losses but are not rewarded for potential upside. They tend to prefer companies with quality assets (e.g., accounts receivable, saleable inventories and real property) and that generate stable cash flows.

Senior debt lenders will stipulate a maximum financing amount based on underlying assets, as well as a company's cash flow generating capability. In the current economic environment, senior debt levels for private companies often range from 2.0x to 2.5x EBITDA, depending on the quality of the earnings and the assets securing the debt.

Senior debt lenders usually will require that a company operates within the limits of various covenants and restrictions, which typically include specified financial ratios (e.g. current ratio, debt to tangible net worth), restrictions on capital spending, dividend payments and sale of assets, as well as financial reporting requirements. Depending on their nature, these covenants and restrictions can be quite onerous.

Subordinated Debt and Mezzanine Financing

Subordinated debt financing is not secured by specific assets and ranks behind senior debt in terms of its claims against the company. Mezzanine financing refers to financing that takes on characteristics of both debt and equity. Subordinated debt and mezzanine financing tend to be more common in larger size deals. The amount of sub-debt or mezzanine financing that a company can secure usually is in the range of 1.0x to 1.5x EBITDA (over and above senior debt lending).

Like senior debt, subordinated debt and mezzanine financing bind the company with a legal obligation to repay the loan amount. However, repayment terms can vary considerably, and sometimes are structured with 'balloon payments' whereby the entire principal amount is repayable at the end of the loan term.

In the current economic environment, mezzanine financiers usually seek an all-in return on investment of 20% or more. However, the structure of these loans often involves a cash coupon payment (commonly in the order of 12%) plus upside potential in the form of equity participation.

Private Equity Financing

Private equity groups refer to organizations that look to earn significant returns through equity participation in their portfolio companies. There are three financial levers that private equity firms use to generate a return on their invested capital. They are:

- growing the investee company, either organically or through acquisition;

- financial leverage—i.e. using debt instead of equity to magnify their returns. In most cases, some or all of the debt is repaid over the course of the holding period; and
- exit multiple expansion, meaning that the valuation multiple is higher when the private equity firm exits the investment (through a subsequent sale or public offering) than the multiple that was paid when the investment was made.

It follows that private equity firms typically seek investment opportunities that exhibit the following characteristics:

- strong business fundamentals. Private equity firms generally are more interested in companies having a sustainable differential advantage in the marketplace as opposed to those offering 'me too' type products and services. Companies that are leaders within a market niche may be particularly attractive. Private equity firms will emphasize a company's ability to generate cash flow, both to reinvest for growth and to service debt;
- critical mass. While private equity firms have varying criteria in terms of investment size, more private equity firms tend to be attracted to larger companies (those having an EBITDA of \$5 million or more) given the size of most private equity investments. Fewer private equity firms are interested in smaller companies, except perhaps as 'roll-up' type opportunities or those with stellar growth prospects;
- excellent growth potential. Most private equity firms seek companies that can grow rapidly, either organically or through acquisition. This feature is consistent with their interest in exiting the investment within a few years;
- a strong management team. Private equity firms generally manage their investments through a presence on the company's Board of Directors. They rely on management for both strategic input and daily operations. Therefore, private equity firms seek out dedicated management teams with a proven track record. They prefer companies with strong breadth and depth in their management ranks;
- management commitment. Many private equity firms will insist that key managers personally invest in the company in order to secure their commitment. In most cases, the absolute amount of the investment is not an issue, so long as it represents a meaningful commitment by the individual(s). Managers that do invest can realize lucrative upside potential where things turn out as planned;
- alignment of interests. Private equity firms are interested in backing a management team that is intent on growing the business over the next several years and then selling it within the expected investment horizon;
- ability to leverage. Private equity firms generally seek to place some amount of debt financing into their investee companies in order to reduce the size of their equity investment and magnify their returns. Therefore, private equity firms seek companies with good assets and strong cash flows, which can support debt financing at reasonable rates. However, it is important for business owners and managers to recognize that higher amounts of debt financing increases financial risk, and may result in cumbersome operating restrictions; and
- exit strategy opportunities. Private equity firms generally have a three- to seven-year time horizon to liquidate their investment. They seek companies that can either be sold to a strategic buyer or are believed to be good candidates for an initial public offering.

While threshold rates of return sought by private equity firms will vary depending on the nature of the investment, a range of 25% to 30% return on investment is not uncommon in today's environment for established businesses having a defensible market position. Higher rates of return generally are sought for riskier 'venture capital' type investments. These returns represent 'levered' rates of return on equity, after debt servicing costs have been covered.

Private Equity Firms vs. Strategic Buyers

Dealing with a private equity firm is different from dealing with strategic buyers in many important respects. For the business owner, the advantages of dealing with a private equity firm often include the following:

- private equity firms usually will offer a cash deal, whereas strategic buyers (particularly smaller companies) may have to rely on other, less attractive, forms of consideration (e.g. a share exchange);
- private equity firms usually are quicker to react to investment opportunities and can consummate a deal more quickly than strategic buyers. This reduces the company's exposure to the market place;
- private equity firms usually are not direct competitors, which reduces the risk of exposing confidential information to those groups;
- strategic buyers normally seek to acquire a 100% interest in the company, whereas private equity firms usually prefer to have less than 100%. This can afford lucrative upside potential for both management and the business owner who retains a residual interest in their company; and
- private equity firms usually seek to retain existing management, which eliminates the integration issues and cultural shock faced by strategic buyers.

However, having a private equity firm as a partner also introduces a number of challenges. Among them are the following:

- given their investment time horizon, private equity firms tend to focus on short term results. This can place considerable pressure on management;
- private equity firms typically use greater amounts of debt financing, compared to strategic buyers. This can result in additional covenants and operating restrictions being imposed on the company post-closing;
- private equity firms will exercise control of the company through their participation on the board of directors. Therefore, the management team (and the business owner with a residual equity interest) must adopt a more formalized governance structure than they may have been used to;
- private equity firms usually have additional reporting requirements, such as more detailed periodic financial statements, as well as management and board presentations. Such requirements can represent a significant change from the way a company operated in the past, and may prove onerous for management; and
- fees and costs. The upfront fees from private equity firms and lending institutions, including 'stamping fees', 'loan arrangement fees' and other one-time expenses can be significant. In most cases, the company has to incur legal expenses on its own behalf and reimburse those incurred by the private equity firm.

The Shareholders' Agreement

A key document in any deal involving a private equity firm is the shareholders' agreement among the private equity firm, management and the business owner (where they retain a residual equity interest). The shareholders' agreement sets out the rights, privileges and obligations of each equity investor. Even where the private equity firm holds a minority stake in the company, it will require that the shareholders' agreement set out certain major decisions for which the private equity firm has a veto right (e.g. sale of the business, significant capital expenditures, capital injections).

The provisions dealing with shareholder liquidity are also very important. In most cases, the individual shareholders do not have the ability to dispose of their shares outside of a liquidity event for all shareholders. There are some exceptions (such as death, disability, and termination), but in many cases these early exits result in a discount to fair value.

Selecting the Right Private Equity Firm

Private equity financing should not be viewed as a one-way street. The management team (and business owners who retain a residual interest in their company) should expect to receive more from the private equity firm than just a lump sum of cash on closing. Other important considerations include:

- the ability of the private equity firm to accommodate follow-on financing (commonly referred to as “dry powder”) that may be needed to support growth through acquisition or an unexpected shortfall in cash flow;
- alignment of interests with those of management in terms of investment horizon, growth strategies, participation in upside potential (e.g. through an employee share ownership plan or “ESOP”) and their level of patience or tolerance for shortfalls from plan; and
- value-added service offerings. Financial investors should be expected to provide things such as sound business advice, business contacts, and other services that help the company to grow and prosper. In this regard, many private equity firms have begun to specialize in certain industry sectors in order to accomplish these things.

Example of an MBO

As a simplified example of how an MBO might work, assume the following for Company X:

- the business generates \$5 million in annual earnings before interest, taxes, depreciation and amortization (“EBITDA”) on revenues of \$50 million;
- the business owner wants to divest of, and the management team would like to buy an equity interest in the company. Following their analysis, the parties agree that an enterprise value of \$25 million would be fair, which effectively equates to a multiple of 5x EBITDA;
- Company X has no debt currently outstanding. The management team collectively can only raise \$1 million. Therefore, it seeks one or more financial investors for the remaining funds; and
- a private equity firm is found and that firm assists in raising an additional \$10 million of senior debt from third party lenders to finance a portion of the transaction, at an interest rate of 7%. Therefore, the equity value of Company X following the deal will be \$15 million (calculated as \$25 million of enterprise value less \$10 million of debt).

Of the \$15 million equity value, \$1 million comes from management and the remaining \$14 million from the private equity firm. Accordingly, the capital structure of Company X immediately following the transaction is as follows:

Management	\$ 1 million	6.7%
Private equity firm	<u>\$14 million</u>	<u>93.3%</u>
Total equity	\$15 million	100.0%
Senior debt	<u>\$10 million</u>	
Enterprise value	<u>\$25 million</u>	

In addition, assume that management is granted options that afford them the opportunity to earn an additional 10% equity in the company (through an ESOP) if certain performance criteria are met. While the granting of management options erodes the equity interests of the private equity firm, it incentivizes management to perform well.

The financial projections for Company X are as follows:

- revenues will grow at a rate of 10% per year in each of the next 3 years;
- the EBITDA margin will remain constant at 10% of revenues;
- annual capital spending is 2% of revenues, which approximates depreciation;
- working capital requirements are at 12% of incremental revenues;
- the income tax rate is 30%; and
- net cash flow at the end of each year (net of interest and taxes) will be used to reduce the amount of debt outstanding (commonly referred to as a “cash sweep”).

Assume that, once the growth plan has been achieved by the end of Year 3, it is expected that Company X will be an attractive acquisition target for a strategic buyer who likely will pay a price that effectively equates to 6x EBITDA.

Schedule 1 illustrates the net cash flow that Company X is expected to generate over the next three years:

Schedule 1
Projected Cash Flows
(\$'000)

		Current	Year 1	Year 2	Year 3	Exit
Revenues		50,000	55,000	60,500	66,550	66,550
annual growth rate	10%					
EBITDA	10%	5,000	5,500	6,050	6,655	6,655
Depreciation / capex	2%		1,100	1,210	1,331	
Interest Expense	7%		700	561	397	
Pretax income			3,700	4,279	4,927	
Income taxes	30%		1,110	1,284	1,478	
Incremental working capital	12%		600	660	726	
Debt Repayment			1,990	2,336	2,723	
Residual cash flow to equity			0	0	0	

The valuation parameters for Company X, at the initial transaction date and upon the subsequent liquidity event in Year 3 are illustrated in Schedule 2:

Schedule 2
Valuation Parameters
(\$'000)

	Current	Year 1	Year 2	Year 3	Exit
Valuation					
EBITDA	5,000				6,655
Multiple	<u>5x</u>				<u>6x</u>
Enterprise Value	<u>25,000</u>				<u>39,930</u>
Financed by					
Debt	10,000	(1,990)	(2,336)	(2,723)	2,952
Equity	<u>15,000</u>				<u>36,978</u>
	25,000				39,930

The cash flows accruing to management and the private equity firm, and the rates of return that they expect to achieve, are illustrated in Schedule 3:

Schedule 3
Economic Returns
(\$'000)

	Current	Year 1	Year 2	Year 3	Exit
Equity Participation					
Management	1,000				6,163
PE Firm	<u>14,000</u>				<u>30,815</u>
	<u>15,000</u>				<u>36,978</u>
Ownership					
Management	6.7%		(add 10% ESOP)		16.7%
PE Firm	<u>93.3%</u>				<u>83.3%</u>
	<u>100.0%</u>				<u>100.0%</u>
Return on Investment					
Management					83%
PE Firm					30%

Note that the management team is expected to fare considerably better than the private equity firm in terms of their return on equity because of the ESOP that allows the management team's proportionate interest in Company X to increase to 16.7%. Private equity firms purposefully design this type of payoff structure in order to incentive management to perform well, while still allowing the private equity firm to realize their desired rate of return (30% in this case).

Common Obstacles to an MBO Transaction

Despite the potential attractiveness of an MBO, business owners should also weigh the challenges in consummating the transaction and realizing value in any residual interest component. In addition to the challenges of dealing

with private equity firms as noted above, there are further challenges in consummating the MBO transaction itself, including:

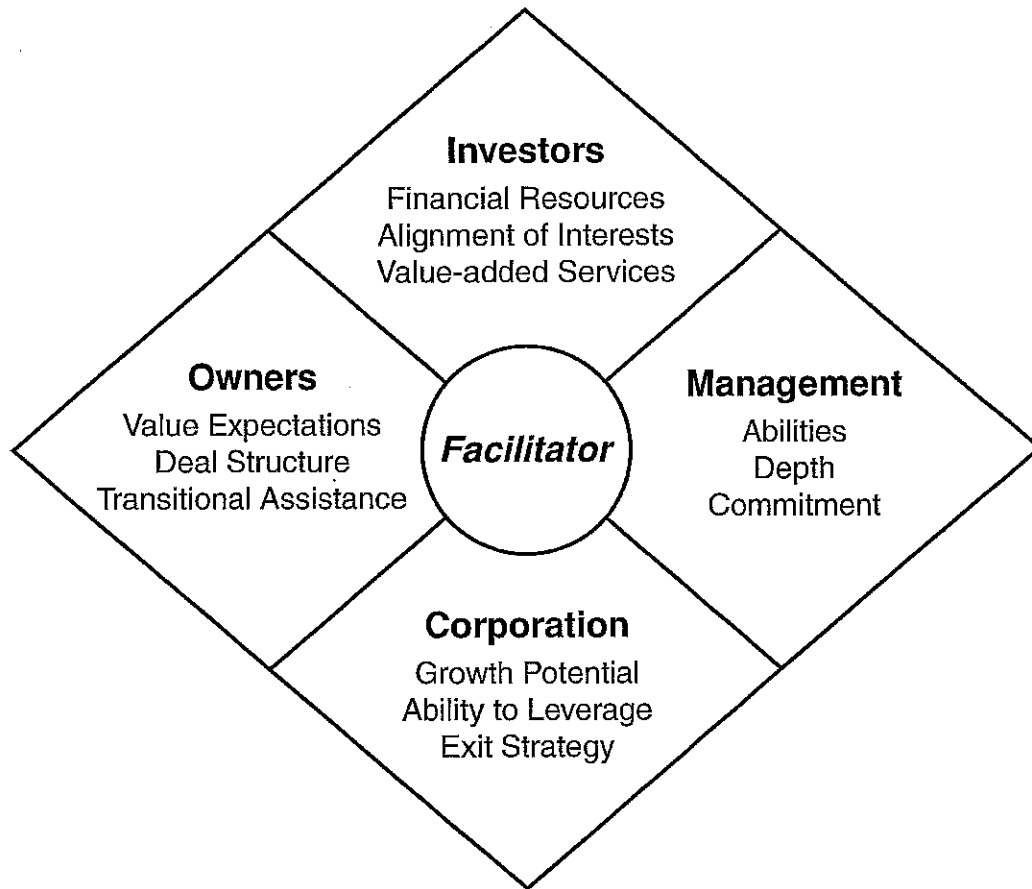
- the conflict of interest it creates for the management team, who want a lower valuation in order to get a bigger equity stake in the company for their investment. Management's conflict of interest can also thwart opportunities with strategic buyers;
- getting key managers to commit capital. Managers may not have the same entrepreneurial spirit as the business owner, and they may be reluctant to commit capital, or have limited ability to do so. Financial investors may be wary of making a significant investment where key employees have not made a meaningful monetary commitment;
- management does not have the ability to realize synergies, unlike a strategic buyer. This can reduce the purchase price. The value impact is somewhat less where a private equity firm is involved which owns a similar business in their portfolio, and can integrate the operations of the two entities; and
- financial investors generally prefer MBOs where the business owner retains a residual interest and remains active in the company following the transaction. This may not be consistent with the objective of the business owner. Further, where the business owner does retain a residual equity interest in the company, there is no assurance as to when, or whether, value from that residual interest will be realized. Not only is the nature and timing of the exit strategy outside of their control, but there is the risk of changes in the company's performance, industry conditions or the collapse of potential liquidity events (due to a weakening M&A market), that can significantly erode shareholder value during the interim period.

The MBO Value Matrix™

The interests of the various parties involved in an MBO are naturally conflicting to some degree. The owner wants the highest price for their company, management wants the ability to acquire the largest equity stake possible and the financial investors are seeking to maximize their own return on invested capital. For an MBO to be successful, all parties must make compromises and structure a deal that creates a three-way beneficial scenario. In order to do so, it is critical to engage a facilitator to assist in bringing the parties together.

The facilitator normally is a financial advisor (supported by other consultants, such as legal and tax advisors) who not only understands the workings of an MBO, but who also can offer the parties objective advice on the pros and cons of various alternatives. The principal role of the facilitator is to assist both the owner and the management team in identifying and attracting the right financial investor 'partners' and in helping to develop the terms of a deal that satisfies the collective interests of all parties. In doing so, the facilitator helps the various parties to identify ways in which they can reconcile their respective positions and preserve a sense of 'value fairness' to each. The role of the facilitator within the MBO process is captured in the *MBO Value Matrix™*, illustrated in the exhibit below.

The MBO Value Matrix™



Conclusions

MBOs can provide a viable exit strategy alternative for business owners, particularly where the company has strong growth potential, financing is available and attractive exit alternatives exist. The financial payoffs in an MBO can be substantial where forecasted operating results and exit strategy expectations are realized.

MBO transactions are more likely to occur where the business owner has realistic expectations as to the value of their company and they are prepared to work with the management team and the financial investors in terms of deal structuring and transitional assistance. A critical component to a successful MBO is the financial investor's perception of the management team in terms of their abilities, depth and commitment. The business owner and the management team should seek the right financial investor 'partners' in terms of their financial resources, alignment of interests and the value-added services that they offer.

The *MBO Value Matrix*™ serves as a framework for illustrating how the facilitator plays a pivotal role in bringing the various parties together and in helping to develop a deal structure that allows all participants the opportunity for value realization.