

RCM & HCIT Intel

September 2017

Executive Planning Series, Part 1:
**What To Do If A Buyer
Approaches Your Company**

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What To Do If A Buyer Approaches Your Company

Executive Planning Series, Part One

It's flattering when someone wants to invest in your business. In today's active HCIT / RCM markets, it's common for owners to be contacted by potential investors. But it's vital to recognize that these conversations are not usually held on a level playing field, as the buyer may buy companies all the time but the seller likely has little or no experience selling companies.

With 66 deals completed in the first half of 2017 for nearly \$15 billion, the M&A market is alive and well! If you haven't been contacted by a buyer yet, it's just a matter of time.

So what's an owner to do when approached? How should they determine if this is "The One?" To answer those questions, it's important to understand why buyers contact owners directly, and why M&A experience is necessary to complete a successful HCIT or RCM transaction.

How and Why Buyers Approach Companies

Buyers find targets in a variety of ways. Some private equity firms perform industry research to identify companies to approach, and have staff dedicated for outreach efforts. Strategic buyers may utilize a similar approach, while others may just know of your brand in the market. In either case, they rarely contact just one firm. Most often, you're one of hundreds (or thousands!) they've contacted to see who is open to a discussion. There's certainly nothing wrong with that, but it is easy to see how that could tilt the scale in their favor.

You see, buyers prefer to meet owners before they engage an investment banker. Why? Because bankers maximize value and without one, the buyer has a better chance of structuring a deal on more favorable terms. Having an introductory call and/or meeting with a buyer may seem innocuous enough. After all, you have business meetings all the time. This, however, is not "just another business meeting," as what you share could severely impact the deal terms you're able to achieve. As with many things, discretion and patience are required to achieve your desired outcome. Fact is, the current deal activity also represents the substantial level of deal experience that buyers have in the market!

Smart Moves To Make... Now!

1. If you are approached prior to identifying your advisors, but you would like to explore discussions with a buyer, follow these three steps:
 - Politely decline: Don't have an in-depth call or meeting with the buyer. This may seem awkward for you to do, but it is completely acceptable and the buyer will understand.
 - Gear up: Arm yourself with the expertise of the right advisors. See below.
 - Engage in buyer discussions when you are prepared: You'll thank yourself later. Many deals lose momentum or fall apart altogether because discussions commenced before both parties were truly ready.
2. Plan early - Ideally, you'll have time to plan at least a few years ahead, though we all know (!) things don't always work that way. If you are able to do so, we suggest identifying the team of advisors that will lead your transaction and guide it through any bumps in the road. The right advisors will spend time to become familiar with your business and its differentiators, as well as your personal goals. Moreover, they'll help you identify items that could be improved prior to a sale that will help you accomplish your goals. These subject matter experts include:
 - Transaction Attorney: An experienced transaction attorney knows what matters most when it comes to documenting the deal and minimizing your risk.
 - Tax Attorney: This professional will help determine the most tax efficient transaction structure so you can keep as much of the proceeds as possible.
 - Investment Banker: A specialized investment bank will understand your firm's offerings, will have relationships and experiences with the right investors for your firm, and will have a proven track record in your industry.

Once you've selected your team, if you're approached before you're ready to sell, you should forward interested buyers to your banker to assess. An experienced advisor can quickly discern between "real buyers" and "tire-kickers" to protect your time

and your confidential information. As well, you'll likely gain credibility with the buyer for being a forward-thinking executive who has taken intelligent steps toward ensuring an effective exit.

This approach will help you complete a successful transaction, optimizing all deal terms while also preserving your time.

If you've been approached by a buyer or want to discuss this topic further, we can be reached at 301-576-4000, or would be pleased to meet with you at an upcoming event, such as Becker's Hospital Review 3rd Annual Health IT + Revenue Cycle Conference (Chicago, September 21-23) or the MGMA 2017 Annual Conference (Anaheim, October 8-11).

For more insight and advice, look for Part Two of our Executive Planning Series available in late-September. As well, find more information on today's trends and market activity in our M&A Update, to be released mid-September. Both publications will be available on www.greenberg-advisors.com.

About GA.

Greenberg Advisors, LLC provides trusted M&A and strategic advice within the financial services and business services sectors worldwide. The firm is best known for its expertise in Revenue Cycle Management (RCM), Healthcare IT (HCIT), Accounts Receivable Management (ARM), Business Process Outsourcing (BPO), and Specialty Finance. Focused on these sectors for nearly 20 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of approximately 125 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect a distinct client-first approach, deep sector expertise, and roll-up-the-sleeves work ethic.

Contact us to discuss your plans or interests, or to learn more about the data contained in this M&A Update.



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