



Erring on the Side of Silence

by Peter C. King, VR Business Brokers/Mergers & Acquisitions, CEO

This is the story of a successful acquisition made more than 25 years ago. The seller was the third or fourth largest manufacturer in its industry, with a 12% market share. The buyer and the seller's owners were so paranoid that information about the impending purchase might get out, they went to what some may consider extreme measures. But there's nothing wrong with a bit of paranoia when it comes to M&A.



The story starts with a blind ad placed by the seller in The Wall Street Journal. The potential buyer sent a letter to a confidential blind email address and shortly received a phone call from the M&A firm retained to sell the company.

The prospective buyer asked for specifics. "What kind of a manufacturer is for sale?" Response: "A metal products company." Next question: "What kind of metal products?" Response: "I have to get the seller's permission before I can reveal that." If that level of caution seems excessive, it isn't. After securing authorization, the seller's representative called back and described the products.

Eventually, the buyer and seller reached an agreement in principle and the due diligence process began. The administrative staff had to be informed, for instance, because the buyer had to spend significant time on the premises conducting due diligence. Also, to learn more about the market, the buyer arranged with the seller to appear at the industry's next trade association meeting - the seller was a member - in the guise of a consultant to the selling firm.

Because the seller's product was a consumer commodity, the buyer arranged through the seller to speak (again, cloaked as a consultant) with three key customers about the market's perception of the seller's product line vis-à-vis its competitors. To maintain confidentiality, the savvy buyer disguised the visit's real goal by asking questions not completely germane to the potential purchase of the target company.

Thanks to his assiduous preparation, vigilant silence and strict adherence to agreements between the parties, the buyer suffered no surprises after taking control of the company. In the case of M&A, the old saying holds particularly true: "Silence never betrays you."



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