CRUZ
INSIGHTS

HOW TO PREPARE A COMPANY FOR AN M&A TRANSACTION

Preparing for Success
Before the Deal Begins

CORPORATE FINANCE

M&A ADVISORY

CAPITAL ADVISORY

CRUZ | CAPITAL. STRATEGY. GROWTH.

EXECUTIVE SUMMARY

A successful M&A transaction does not start with a term sheet— it starts with **preparation**.

Companies that invest time and effort in strengthening their financials, governance, operations, and growth story are far more likely to attract high-quality buyers, achieve stronger valuations, and close transactions efficiently.

This report outlines the essential actions management teams should take before going to market, the key areas investors scrutinize, and how engaging experienced advisors can significantly increase the probability of a successful outcome.

Preparation is not just about reducing risk— it is about creating value and presenting the business in the best possible light.

KEY TAKEAWAYS

- Early preparation drives better valuations and deal certainty.
- Investors focus on quality of earnings, governance, and growth potential.
- Operational and compliance risks can materially impact deal value.
- A well-structured process increases buyer confidence and competitiveness.
- Professional advisors bring objectivity, experience, and negotiation leverage.

THE M&A TRANSACTION LIFECYCLE

Understanding the key stages of an M&A process helps companies prepare effectively and anticipate what investors and buyers will evaluate.

1 Preparation
- Define objectives and strategy
- Internal readiness assessment
- Engage advisors

2 Business Review
- Analyze financial performance
- Assess operations and risks
- Identify value drivers

3 Valuation
- Determine enterprise value range
- Prepare valuation materials

4 Investor Outreach
- Identify and approach potential buyers
- Present investment highlights

5 Due Diligence
- Provide information
- Management meetings
- Address questions

6 Negotiation
- Evaluate offers
- Negotiate key terms
- Select preferred bidder

7 Signing
- Finalize legal documents
- Obtain approvals
- Announce transaction

8 Closing
- Fulfill closing conditions
- Transfer and integration planning

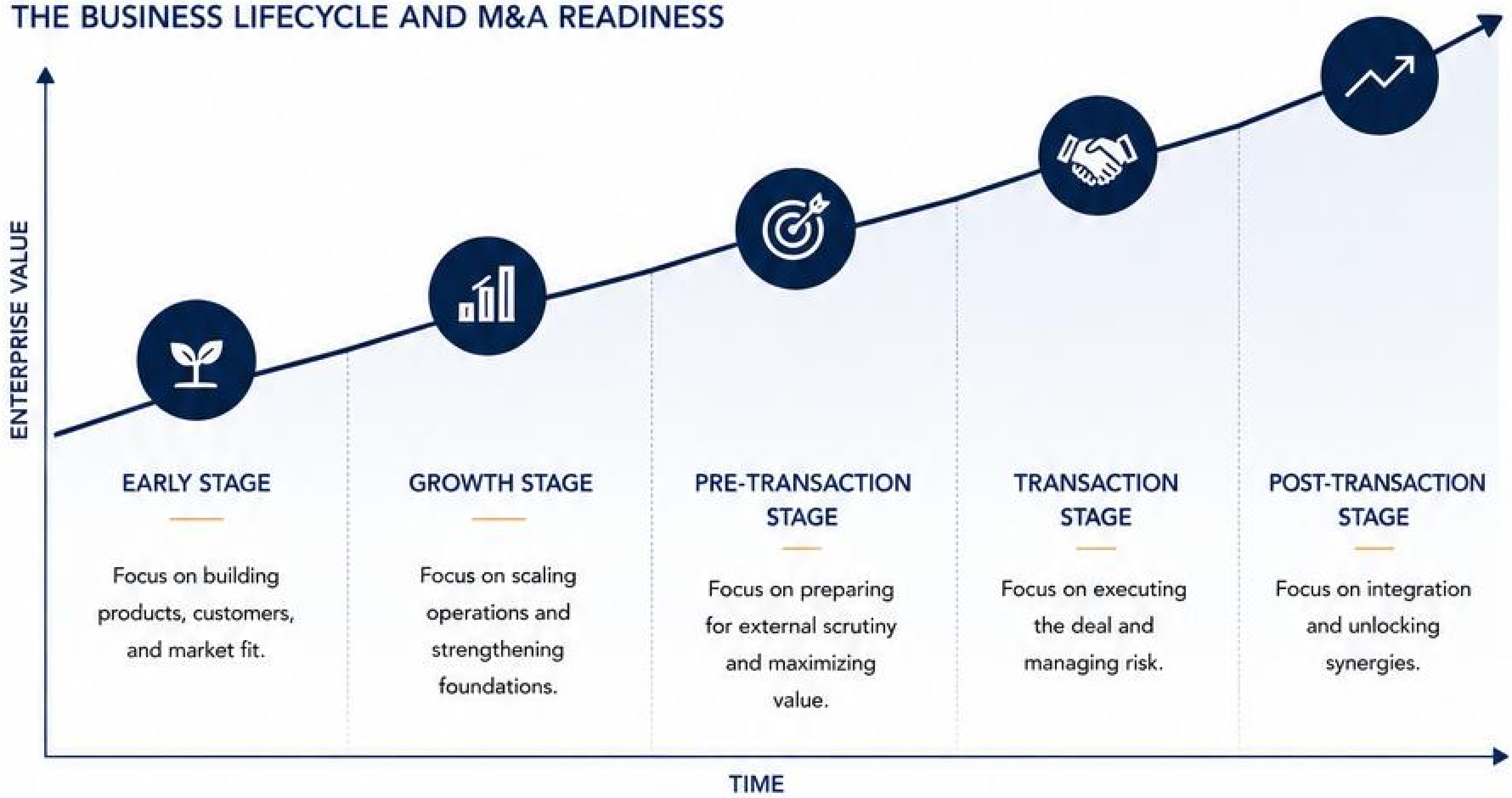
PROFESSIONAL INSIGHT

> “Buyers don’t buy potential. They buy proven performance, clear strategy, and manageable risk.”

Why Preparation Matters

Well-prepared companies achieve higher valuations, shorter deal timelines, and smoother negotiations. Preparation reduces uncertainty and builds investor confidence.

THE BUSINESS LIFECYCLE AND M&A READINESS



KEY POINT

The earlier you prepare, the more options you create and the more value you unlock.

PREPARATION DRIVES RESULTS

20%+ higher valuations for well-prepared companies on average.

30–50% reduction in time to close for well-prepared companies.

Lower Risk of deal failure when operational and compliance risks are addressed in advance.

Sources: Bain & Company, "The M&A Value Creation Playbook"; McKinsey & Company, "Capturing the Full Value of M&A" (2023); Deloitte, "M&A Trends Report 2024".

Financial Readiness

Strong financials are the foundation of a successful M&A transaction.
Investors need to see quality, consistency, and transparency.

THE FIVE PILLARS OF FINANCIAL READINESS

1 QUALITY OF EARNINGS

- Ensure revenue is recurring and diversified.
- Normalize EBITDA and eliminate one-time adjustments.

2 FINANCIAL REPORTING

- Maintain clean, audited financial statements.
- Ensure consistent accounting policies.

3 WORKING CAPITAL MANAGEMENT

- Optimize inventory, receivables, and payables.
- Demonstrate efficient cash conversion.

4 DEBT AND CAPITAL STRUCTURE

- Maintain a prudent leverage level.
- Ensure compliance with debt covenants.

5 TAX READINESS

- Ensure tax compliance and documentation.
- Address any outstanding tax exposures.

Investor pay for earnings quality, not just growth.
Clean, transparent, and sustainable financials drive premium valuations.

Corporate Governance

Strong governance demonstrates management discipline, reduces risk, and builds investor confidence.

KEY GOVERNANCE AREAS INVESTORS REVIEW

Area	What Investors Look For	Actions to Take
Board Structure	• Independent directors • Board oversight effectiveness	• Strengthen independence and board composition • Clarify board charters and responsibilities
Management Team	• Leadership depth • Track record and retention	• Build a strong leadership bench • Retain key talent
Policies & Controls	• Documented policies • Internal controls quality	• Implement and enforce key policies • Strengthen internal controls
Compliance	• Regulatory compliance • Legal and ethical standards	• Ensure full compliance • Conduct compliance training
Shareholder Matters	• Clear cap table • No disputes or encumbrances	• Resolve any shareholder issues early • Ensure clean ownership structure
ESG & Sustainability	• Environmental, social, governance practices • Transparency and reporting	• Develop ESG strategy and metrics • Improve disclosures

STRONG GOVERNANCE. STRONGER VALUE.

INSIGHT

Good governance is not just a compliance issue—it is a value driver in M&A transactions.

- ✓ Reduces risk
- ✓ Increases trust
- ✓ Enhances valuation

Operational Excellence

Well-run operations demonstrate a company's ability to deliver consistent results and scale effectively. Buyers examine operations in detail to assess performance, risks, and improvement potential.

WHY IT MATTERS

Operational risks can significantly impact valuation and deal certainty. Strong operations signal lower risk and higher value.

> Operational excellence creates predictable results and long-term value.

KEY OPERATIONAL AREAS INVESTORS FOCUS ON

Business Model and Strategy	Clarity of business model, value proposition, and competitive position. →	• Articulate value drivers • Demonstrate competitive advantages • Show strategic consistency
Operational Performance	Historical performance trends and key operational metrics. →	• Track and benchmark KPIs • Demonstrate consistent improvement • Explain any anomalies
Quality and Compliance	Product/service quality and compliance with industry standards and regulations. →	• Ensure quality control systems • Maintain certifications and licenses • Address compliance gaps
Supply Chain and Vendors	Reliability of supply chain and strength of key vendor relationships. →	• Diversify and qualify suppliers • Review vendor contracts • Mitigate concentration risks
People and Organization	Organizational structure, talent depth, and cultural alignment. →	• Define roles and responsibilities • Retain and motivate key talent • Build a scalable organization
Systems and Technology	IT systems, data integrity, and process automation. →	• Ensure system reliability and security • Verify data accuracy and integrity • Invest in automation and scalability

OPERATIONAL READINESS CHECKLIST

- [x] Processes are documented and repeatable
- [x] Performance metrics are tracked and reviewed
- [x] Key risks are identified and mitigated
- [x] Systems and data are accurate and reliable
- [x] Organization is structured for growth
- [x] Continuous improvement culture is in place

WHAT BUYERS ASK

- How scalable is the business model?
- Are operations consistent and sustainable?
- What are the key operational risks?
- How strong is the management team?
- What investments are needed to grow?

INSIGHT

Efficient, scalable, and well-managed operations increase buyer confidence and support premium valuations.

Risk Management

Buyers conduct extensive due diligence to identify risks that could impact value, timing, and post-closing performance.

Proactively identifying and addressing risks strengthens negotiation position and builds trust.

KEY POINT
You cannot eliminate all risks, but you can manage them. The goal is to demonstrate awareness, control, and mitigation.

KEY RISK CATEGORIES AND INVESTOR CONCERNS

Legal and Regulatory	Financial	Operational	People and Talent	Cybersecurity and Data	Environmental, Social and Governance (ESG)
• Contracts and obligations • Litigation and disputes • Regulatory compliance • Intellectual property protection	• Quality of earnings • Off-balance sheet liabilities • Tax exposures • Working capital volatility	• Process efficiency • Capacity and scalability • Business continuity and resiliency • Key operational dependencies	• Key talent retention • Organizational structure • Compensation and incentives • Culture and change readiness	• Data security and privacy • IT system reliability • Cybersecurity threats • Data governance	• Environmental impact • Health and safety • Social responsibility • ESG disclosure and reporting

RISK MITIGATION FRAMEWORK

1. **Identify** — Conduct a comprehensive risk assessment across all key areas.
2. **Assess** — Evaluate likelihood and potential impact on value and deal.
3. **Mitigate** — Implement actions to reduce likelihood or impact of risks.
4. **Document** — Maintain clear records of controls, policies, and mitigation plans.
5. **Communicate** — Be transparent with investors and address their concerns early.

WHAT BUYERS LOOK FOR

- Evidence of proactive risk management
- Effective internal controls and oversight
- Clear remediation plans for known issues
- Management's ability to respond and adapt

COMMON ISSUES THAT DELAY OR REDUCE VALUE

- Undisclosed liabilities or contingent obligations
- Weak or undocumented internal controls
- Regulatory non-compliance
- High customer or supplier concentration
- Key person dependency without succession plans
- Data security gaps or IT vulnerabilities

INSIGHT

A company that understands its risks and demonstrates control is a company that investors are eager to back.

The M&A Preparation Roadmap

A structured process ensures nothing is overlooked and creates a compelling investment story that maximizes value and deal certainty.

KEY POINT

Start early, stay organized, and focus on the areas that matter most to investors.

THE 8-STEP M&A PREPARATION PROCESS

1	**Define Objectives** Clarify strategic goals, deal rationale, and value expectations.	• What are we trying to achieve? • What is our ideal outcome?
2	**Assess Current State** Evaluate financial, operational, and governance readiness. Identify gaps.	• Conduct internal diagnostic • Prioritize key improvement areas
3	**Develop Action Plan** Create a prioritized plan to address gaps and strengthen the business.	• Set clear milestones • Assign ownership and resources
4	**Build a Strong Data Room** Organize and document all materials buyers will request.	• Standardize documentation • Ensure accuracy and completeness
5	**Refine the Investment Story** Craft a clear, compelling narrative supported by strong data.	• Highlight value drivers • Demonstrate growth potential
6	**Manage Risks** Identify, mitigate, and document key risks and remediation plans.	• Address concerns proactively • Show mitigation and controls
7	**Engage Advisors** Work with experienced advisors to guide strategy and execution.	• Leverage external expertise • Prepare for buyer expectations
8	**Prepare for Buyer Engagement** Be ready for due diligence and management meetings.	• Anticipate buyer questions • Communicate with confidence

STRUCTURED PREPARATION. STRONGER OUTCOMES.

CRITICAL SUCCESS FACTORS

- Start preparation 12–24 months in advance
- Focus on value drivers, not just fixing problems
- Maintain discipline and follow through
- Document everything and measure progress
- Build a culture of transparency and accountability

INSIGHT

The best deals are not just negotiated—they are prepared for.

of deal outcomes are influenced by preparation quality, not just negottation skill.

Source: McKinsey & Company, "The M&A Value Creation Playbook" (2023)

Presenting to Investors

A clear, compelling, and credible presentation builds trust, communicates value, and differentiates your company in a competitive market.

KEY POINT

Your presentation is often the first impression. Make it clear, confident, and memorable.

KEY ELEMENTS OF AN EFFECTIVE INVESTOR PRESENTATION

1	**Company Overview**	Who you are, what you do, and the markets you serve.
2	**Investment Highlights**	The key reasons to invest in your company.
3	**Market Opportunity**	Market size, trends, and growth potential.
4	**Business Model**	How you create value and generate revenue.
5	**Financial Performance**	Historical results and key financial metrics.
6	**Leadership Team**	Management experience, track record, and strengths.
7	**Competitive Advantage**	What sets you apart and protects your position.
8	**Growth Strategy**	Where you are going and how you will get there.

WHAT INVESTORS WANT TO SEE

- Clear value proposition and differentitation
- Attractive market opportunity
- Consistent, high-quality financial performance
- Strong, capable management team
- Realistic growth plan and execution ability
- Awareness of risks and mitigation plans
- Transparency, credibility, and alignment

COMMON MISTAKES TO AVOID

- Too much information, not enough focus
- Overly optimistic projections without evidence
- Ignoring risks or weaknesses
- Weak or inconsistent financial data
- Poor design and unclear messaging

INSIGHT

The best presentations tell a story: problem, solution, traction, and future.

80%+ of investors say clarity of story and financial quality drive their interest.

Source: PwC, "Investor Survey: What Investors Look For" (2023)

Final Checklist and Next Steps

A final review ensures you are fully prepared and positioned to maximize value and achieve a successful transaction.

KEY POINT

Confidence comes from preparation. A well-prepared company attracts better offers, faster and with fewer conditions.

PREPARATION TODAY. SUCCESS TOMORROW.

PRE-M&A READINESS CHECKLIST

Area	Key Questions	Status
Strategy and Objectives	• Are our M&A objectives clearly defined? • Do we have a clear rationale and value creation plan?	☐ Completed
Financial Preparedness	• Are our financials accurate, consistent, and well-documented? • Have we analyzed key performance trends and forecasts?	☐ Completed
Operations and Risk Management	• Are key operational risks identified and mitigated? • Do we have strong processes and internal controls?	☐ Completed
People and Organization	• Do we have the right leadership team in place? • Is our organization structured for growth?	☐ Completed
Documentation and Data	• Is our data room organized and up to date? • Are all key documents complete and accurate?	☐ Completed
Communication and Advisors	• Are we ready to communicate our story effectively? • Do we have the right advisors and support team?	☐ Completed

NEXT STEPS

1. Review this guide with your leadership team
2. Prioritize improvement areas and create action plan
3. Engage advisors and begin preparing
4. Monitor progress and stay transaction-ready

INSIGHT

Well-prepared companies:

- Attract more qualified buyers
- Achieve higher valuations
- Close faster and smoother
- Create lasting value

About CRUZ

Capital. Strategy. Growth.

WHO WE ARE

CRUZ is an independent advisory firm dedicated to helping companies and investors create value and achieve their ambitions.

We combine deep sector expertise, global perspective, and disciplined execution to deliver tailored solutions across the full spectrum of corporate finance and strategic advisory.

OUR SERVICES

CORPORATE FINANCE

Strategic financial advice to optimize structure, performance, and value.

M&A ADVISORY

End-to-end M&A advisory to help buyers and sellers achieve successful outcomes.

CAPITAL ADVISORY

Access to capital and tailored financing solutions to support growth and transformation.

CORPORATE STRATEGY

Strategic guidance to strengthen competitive position and drive long-term growth.

OUR APPROACH

CLIENT FOCUSED

We align with our clients' interests and act as a trusted partner.

INDEPENDENT ADVICE

We provide objective, unbiased advice tailored to each situation.

RESULTS DRIVEN

We focus on what matters most—creating measurable value.

GLOBAL PERSPECTIVE

We leverage global insights and local expertise to deliver better outcomes.

CONTACT US

WEBSITE
cruzadvisor.ru

EMAIL
info@cruzadvisor.ru

OFFICE
Vladivostok,Russia