



Information Memorandum Checklist

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A. Introductory Comments

This document is a checklist which includes the outline of all the information that goes inside a Confidential Information Memorandum. This is a document usually drafted by an M&A advisory firm or investment banker used in a sell-side engagement to market a business to prospective buyers. This checklist is very exhaustive in nature and includes items relating to the financial standing, assets and liabilities, intellectual property, business description, market position, clients, strategies and promotion methods, markets served, etc. of the company.

The uniqueness of this report is that it can not only be used by M&A advisors but also by investors, advisors and business owners of various fields.

B. Executive Summary

B.1 Company Overview

B.1.1 Very short description of the target:

- Operating business including customer base
- Relevant market(s) and competitive positioning
- Top management, board members and employees

B.1.2 Key Facts:

- Foundation
- Legal form
- Locations
- Ownership
- Subsidiaries and investments

B.2 Key Financials

B.2.1 Table (historical financials and business plan e.g. table displaying revenue, EBITDA and EBIT (margins))

B.2.2 Highlight and describe main drivers

B.3 Scope of Transaction

B.3.1 Transaction summary

B.3.2 (Legal) overview of the target

B.4 Key Investment Considerations

B.4.1 Develop individual and customized KICs (Accentuate the company's core competencies and strengths): strong management team, interesting products & services, growth opportunities, technology/ quality leader, proven track record, successful operational strategies, strong platform for growth, value-added services, superior delivery capabilities

C. Company

C.1 History and Milestones

C.1.1 General Milestones

- Foundation
- Acquisitions
- Divestments

C.1.2 Operational Milestones

- Highlights and low blows / stumbling blocks
- Major projects
- Major investments (not acquisitions)
- New technologies, products and/or services

C.2 Legal Structure

C.2.1 Organizational chart of legal structure including

- Subsidiaries and participations
- Branches
- Ownership structure

C.2.2 Legal information per respective legal entity (company name, legal form, foundation, board, headquarter, address, commercial registry, shareholders, share capital, auditor)

C.2.3 Legal disputes (past/future)?

C.3 Business Model

C.3.1 Detailed description

C.3.2 Explanation of the value chain (chart, if applicable)

C.5 Corporate Vision and Strategy

C.5.1 Vision

C.5.2 Value proposition

C.5.3 Strategy

- Objectives - qualitative and quantitative e.g.
- continuous increase in flexibility
- cost efficiency
- continued focus on high-margin market segments

C.5.4 Feasibility of the objectives

C.5.5 Measurability of objectives

D. Business

D.1 Business Segments/ Units

- D.1.1 Description of target market(s)
- D.1.2 Description of strategic business units (SBUs) i.e. product/ service X for group of customers Y
- D.1.3 Description of USPs (per respective SBU)
- D.1.4 Description of most important products/ services (per respective SBU)
- D.1.5 Description of relevant markets/ countries (per SBU)
- D.1.6 Description of relevant know-how (per SBU)

D.2 Products and Services

- D.2.1 Detailed description of offered products and services including:
 - General characteristics and respective USP
 - (Product) positioning
 - Respective customer benefit / key differentiating factors (e.g. interoperability)
 - Relevant certifications & qualifications
 - Relevant key financials
 - Revenue split (including development over the last years and outlook)
 - Product profitability and gross margins (per product and product group)
 - Development of prices and volumes
- D.2.2 Description of offered support and other services including maintenance organization (if applicable)

D.2.4 Product/service strategy:

- Targets per product/product group & service (prices, sales, market share, gross margin, major customers etc.)
- Product life cycle
- Product matrix including price/ performance or quality/ price positioning of products/ services

D.2.5 Product pipeline (road map, product development and innovation)

D.2.6 IP protection (Are there any patents, brands, intellectual property rights etc.?)

D.3 Customers, References and Networks

D.3.1 Overview of customer base

- Are there different customer groups?
- Total number of customers
- Customer retention rate

D.3.2 Description of target customers/groups

D.3.3 Revenue split of top 10 customers, discussion of concentrations / dependencies / average contract duration etc.

D.3.4 Description of employed platforms and networks (if applicable)

E. Operations

E.1 Suppliers and Procurement

- E.1.1 Description of most important suppliers and purchased products (including ABC analysis if possible) highlighting potential concentrations/dependencies
- E.1.2 Description of manufacturing partner(s) (if applicable)
- E.1.3 Make-or-buy analysis
- E.1.4 Description of procurement strategy, management and volumes
- E.1.5 Description of purchasing process and markets

E.2 Production

- E.2.1 Description of production structure
 - Organization of production
 - Production capacity
 - Production facilities and equipment
 - Last major changes in production
 - Third party manufacturing
- E.2.2 Description of production process
 - Most important production steps and methods
 - Punctuality of delivery
 - Capacity bottlenecks
 - Lead times and control
 - Planning
 - Manufacturing program
- E.2.3 Description of production technology (special expertise, key persons, technical development, production complexity)
- E.2.4 Productivity and its development

E.3 Quality Management

- E.3.1 Description of quality control, assurance processes and procedures
- E.3.2 Certificates
- E.3.3 Measurement of customer satisfaction (if applicable)
- E.3.4 Comparison of quality with competitors

E.4 R&D and Engineering

- E.4.1 R&D policy and projects
- E.4.2 Partnerships & alliances (if any)
- E.4.3 Infrastructure (premises, equipment etc.)
- E.4.4 Existing expertise and product technologies
- E.4.5 R&D organization & staff
- E.4.6 Process of product development and its costs (innovation management)

E.5 Logistics

- E.5.1 Description of logistics strategy, organization, processes and partner
- E.5.2 Internal and external transport requirements and processes
- E.5.3 Warehouse locations, storage capacities and stock management (method)
- E.5.4 Ø Inventory and inventory turnover

E.6 Systems and Processes

- E.6.1 Management Information System (MIS)
- E.6.2 Management tools
- E.6.3 Planning and decision processes

E.8 Marketing and Sales

E.8.1 Sales Strategy and System

- Sales organization, team, channels, partner, costs, documentations, contribution per branch and/or country/region
- Dependencies from any agents or middlemen

E.8.2 Market Segmentation

- Actual and future target markets
- Customer segmentation

E.8.3 Sales Organization

- Organizational chart of sales organization
- Sales areas
- Results after sales area and seller

E.8.4 Marketing

- Planning and instruments
- Marketing measures past and future (including overview of respective expenses)

E.8.5 Advertising and advertising spending

E.8.6 Communication and public relations

E.8.7 Sales promotion and forecasting based on customer

E.8.8 New customer acquisition (process, controlling, result)

E.9 Customer Support

E.9.1 Short description all offered customer support services

E.9.2 Training

E.9.3 Troubleshooting

E.9.4 Maintenance

E.10 ABC Analysis

E.10.1 All customers

E.10.2 Top 10 customers

F. Resources

F.1 Organization

- F.1.1 Organizational Chart
- F.1.2 Planning and decision processes
- F.1.3 Internal communications/ MIS
- F.1.4 Management and Key Employees: Short CVs of management which will include their function, experience, language, skills, company affiliation, languages, previous activities, other directorships, member since etc. (management profiles)

F.2 Employees

- F.2.1 List of employees to create diverse overview charts (e.g. employees per function etc.)
- F.2.2 Human resources development and turnover rate
- F.2.3 Age structure
- F.2.4 Length of service (in years)
- F.2.5 Staff and overhead costs to process steps
- F.2.6 Hourly wage per function
- F.2.7 Training/ education
- F.2.8 Salary and appraisal system
- F.2.9 Social Insurance (Pension schemes)
- F.2.10 Labor market (availability of trained workers, importance of trade unions, competitiveness of wages)
- F.2.11 Various (labor law, labor organizations, education, participation methods, regulations, employee satisfaction, key persons, conditions of employment etc.)

F.4 Infrastructure

F.4.1 Locations

- Current location (address)
- Revenue and employees per location/ branch
- Advantages/ disadvantages
- Site analysis (legal, environmental and macroeconomic conditions, traffic location, expansion possibilities, customers)

F.4.2 Production Sites

- Means of production and equipment
- Average age of all machines

F.4.3 Information Technology

- IT concept
- Hardware (specification, implementation date, strengths/ weaknesses)
- Software (specification, implementation date, strengths/ weaknesses)
- Support (internal or external)
- On-going IT projects
- IT budget, costs and financing

F.4.4 Other Fixed Assets/ Property

- Area, land reserve location, description, size
- Condition of buildings
- Financing structure: Ownership/ leases
- Purchase price, market value and age
- Building and maintenance costs (electricity, water, sanitation, cleaning, security etc.)
- Building rights

F.4.5 Environmental Matters

- Contaminated sites, waste
- Impact of air, soil and water
- Accident risk & insurance
- Compliance with environmental legislation
- Environmental report
- Eco-label for products

G. Industry

G.1 Market

G.1.1 Current State

- Target markets
- Annual growth rate of the past years (sales, profits, employees)
- Market volume, structure, shares and characteristics
- Key success factors
- Current trends and key industry drivers (e.g. new technologies etc.)

G.1.2 Future Development/ Trends

- Environmental, financial, market and other such trends
- Future growth and market position based on clear USPs

G.2 Industry Structure

G.2.1 Concentration of market players

G.2.2 Geographical distribution of market players

G.2.3 Product lines and distribution channels

G.2.4 Pricing policies/ levels of competition

G.2.5 Levels of integration

G.2.6 Typical customer characteristics

G.3 Competitors (short profile of each major competitor)

G.3.1 Size of sales/ number of employees

G.3.2 Market share

G.3.3 Profitability

G.3.4 Group affiliation

G.3.5 Further relevant info: production sites, product policy, quality, price, technical advice, fringe benefits, special solutions, main products, financial strength, capacity utilization, technology level, R&D activities, image & reputation, customer proximity, delivery, sales organization, strategy, major strengths/ weaknesses, current threat/ opportunity

G.4 Competitive Position

- G.4.1 Competitive situation/ own market position (market strategy, market share and positioning)
- G.4.2 (M&A) trends
- G.4.3 Porter's Five Forces

G.5 Strategic Position

- G.5.1 SWOT Analysis
- G.5.2 Which are our (three) key core competencies?
- G.5.3 Competitive advantages
- G.5.4 High-level evaluation of the current and future strategic positioning

H. Financials

H.1 Overview

H.1.1 Basis of Preparation

- Accounting framework
- Financial planning process (incl. tools)
- Describe intercompany relationships (revenues, financing, overheads etc.)

H.1.2 Adjustments (one-offs etc.)

H.1.3 Key assumptions of the business plan

H.2 Profit and Loss Statement

H.2.1 Display a table of P&L

H.2.2 Split turnover per division/ group activities if applicable

H.2.3 Describe development of profitability (EBITDA/EBIT)

H.2.4 Highlight and describe main drivers

H.2.5 Comment on all main P&L items

H.2.6 Depreciation policy

H.2.7 Comment on the performance of the company (based on ratios of gross profit, earnings per share etc.)

H.3 Current Trading

H.3.1 Display a table of P&L

H.3.2 Apply reasonable benchmark period and comment on current development/ main drivers

H.3.3 TBD: Comment on historical budget versus actuals

H.4 Balance Sheet

- H.4.1 Display a table of the balance sheet
- H.4.2 Comment on main balance sheet items
- H.4.3 Comment on management of accounts receivable
- H.4.4 Comment on changes in equity and hidden reserves
- H.4.5 Comment on bank credit, loans and mortgages
- H.4.6 Highlight intercompany liabilities
- H.4.7 Net working capital management and value

H.5 Cash Flow Statements

- H.5.1 Display table of cash flow calculation
- H.5.2 Comment on free cash flow, operating cash flow ratio, price-to-cash flow ratio etc.
- H.5.3 Provide split of investments (if applicable)
 - Comment on activities of previous investments per division/ group
 - Comment on investment budget
 - Comment on divestitures

I. Outlook

- I.1 Quickly summarize status quo und future outlook in general as well as with regard to projected financial performance (top line/ profitability tendencies)**
- I.2 Highlight main goals and how to achieve them**
- I.3 Describe main focus/ strategy i.e. specialization, diversification, fragmentation in the light of industry trends**
- I.4 Describe main growth determinants (e.g. demographic, economic and environmental trends, innovation, price development, marketing activities etc.)**

J. About The Authors

J.1 About EM&AA

EM&AA (www.emaa.eu) is the official, independent and non-profit European Mergers & Acquisitions Association. This association was conceived and initiated by M&A professionals. EM&AA covers all the activities that revolve around merger and acquisition.

We promote the M&A industry by hosting conferences and events, presenting awards to the achievers in this field and releasing publications pertaining to mergers & acquisitions. The EM&AA is also involved with providing M&A news, employment opportunities and networking facilities.

J.2 About DEALGATE

DEALGATE (www.dealgate.com) is the global deal matching platform. We provide a closed and secure environment where our members exchange divestment and acquisition profiles, as well as enterprise financing.

Our members can post their opportunities anonymously, allowing for absolute discretion. Other DEALGATE members might have access to potential targets or buyers beyond your research or network. This dramatically increases your chances of finding the perfect match.

In mid-market cross-border deals, how much would a full research for potential sellers or buyers cost you in time and money? A fortune! Let's face the fact that we cannot possibly know the acquisition or divestment strategy of every corporation around this globe. Be realistic, even if you had an M&A network partner in every country, your network would be limited to their personal connections and knowledge.

In the globalized M&A business, alliances are playing an increasingly important role. Applied properly, all parties involved will benefit from expanding their network globally and gaining transparency within a secure environment.

Over 5,000 M&A professionals from around the globe are part of our community, sharing an ever-increasing number of interesting opportunities.

Your feedback and input to this checklist is highly welcome: info@dealgate.com