

Owner Flexibility Enables Successful Recapitalization Transaction



The Challenge

MedKnowledge Group is a Connecticut-based holding company for two innovative scientific communications agencies committed to supporting large biotechnology and pharmaceutical clients throughout the various stages of the product lifecycle. Bill Quish was referred to the owner by the company's outside legal counsel. Because of its rapid growth, the company was strapped for cash and in need of additional expansion capital. At our first meeting with the owner it was clear that he had a great passion for the business, believed that the company had significant growth potential and perceived that selling the business was his only option. The owner identified four major goals: determining whether it was best to sell the companies as a whole or to sell the two companies separately; a strong valuation; receipt of significant cash at closing; and a buyer who would underwrite the anticipated future growth of the company. There were significant challenges associated with the quality and timeliness of the company's financial statements and a customer concentration issue.

The Solution

The owner wanted an acquisition advisor that was creative, candid, honest and hands-on. Lyons Solutions, LLC fit these criteria and began the engagement by obtaining a better understanding of the owner's personal, business and financial goals and then performing an in-depth analysis of the two companies. We introduced a "recapitalization" by a private equity group as an option that would also meet the owner's goals. Interim financial statements were prepared by the outside accounting firm and, with assistance from Lyons Solutions, management developed financial projections. We performed an analysis that convinced the owner that because of the synergies between the two companies, selling them together was the right way to approach the market. Next, we developed a Confidential Information Memorandum that clearly communicated the company's strengths and initiated an outreach campaign to strategic and financial buyers. After receiving a number of offers from potential buyers, the owner decided to pursue a recapitalization transaction with a California based private equity firm. Due diligence began and almost immediately, issues arose with the integrity of the financial statements.



The Result

At our recommendation, our client engaged a new accounting firm to generate revised financial statements on a GAAP accrual basis so that the transaction could go forward. With better financial information in hand, the terms of the deal were slightly renegotiated. The transaction was completed to the satisfaction of both parties. Our client sold a majority stake in the business at an attractive valuation, receiving a significant amount of cash at closing, the upside of an earnout and continued ownership in the company going forward. After closing, our client was able to continue in his role as CEO of the company.

Letter of Recommendation

Dear Bill,

Many thanks to you and Jack for helping me bring my business to market, and successfully complete a transaction. I felt the depth of your personal involvement in helping me source, negotiate, and manage the sale process was invaluable. Despite challenges, you proposed pragmatic solutions that enabled me to exceed my goals. I would enthusiastically recommend Bill Quish of Lyons Solutions.

Your ability to coordinate all aspects of the selling process was of great assistance. Your knowledge of accounting and finance was instrumental in helping my team appropriately present the financial statements of our company within the context of a professionally done prospectus. As well, your knowledge of financial and strategic buyers enabled us to present our business to a wide range of potential buyers.

At the end of the process of working with Lyons Solutions I really felt like I had personalized service, combined with top-level professionalism.

I look forward to a continued relationship and the chance to work with you again.

Best regards,

Dave Otfinoski

Former CEO, MedKnowledge Group, LLC