BLACKLEAF

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BLACKLEAF ADVISORY

M&A Preparation *Guide*

How owners, boards and investors prepare a business to be sold, bought or merged, and what buyers, financiers and their advisers expect to find.

INTRODUCTION

Preparation is *the difference*.

Mergers and acquisitions change the course of a business. Whether the aim is a strategic exit, an acquisition to scale, or a merger to unlock synergy, preparation decides whether a transaction closes smoothly, closes late, or does not close at all.

This guide sets out the elements, processes and frameworks used to prepare a business for a transaction. It is written for owners, executives, boards and investors considering a full or partial sale, an acquisition, a management buyout or a strategic merger.

Buyers and their financiers price risk. Every gap they find is either fixed before the approach, at a cost in time, or priced into the offer, at a cost in value.

Decide

Define the objective and the outcome that counts as success.

Prepare

Put the structure, records and financials in order.

Transact

Value, approach, negotiate, verify and complete.

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03	Strategic objective alignment	DECIDE
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Strategic objective *alignment*.

Every successful transaction begins with clarity of intent. The strategic rationale should inform each stage of preparation and negotiation.

KEY QUESTIONS TO SETTLE FIRST

- ✓ Is this a full or partial exit?
- ✓ What involvement do you want after the transaction, in the short and long term?
- ✓ Are you pursuing a merger for synergy, or a buyout for market control?
- ✓ Is growth, innovation or operational efficiency the primary goal?
- ✓ What matters beyond price: staff, legacy, speed, certainty, confidentiality?
- ✓ Who must agree: shareholders, family, board, funders?

> *Clarity of intent prevents later misalignment and supports the best deal structure.*

FOUR COMMON OBJECTIVES

OBJECTIVE	WHAT IT USUALLY MEANS	PREPARATION FOCUS
Full exit	100% of the equity is sold and the owner steps back, often after a handover period.	Price, certainty, succession of management
Partial sale	A minority or majority stake is sold; the owner retains an interest and a role.	Governance, valuation, shareholder terms
Acquisition	Buying a business to add capability, customers, geography or supply chain.	Target criteria, funding, integration plan
Merger	Combining two businesses, usually through a share swap, to unlock synergy.	Relative valuation, control, culture

ALIGNMENT MAP: WHO NEEDS TO AGREE

STAKEHOLDER	THE QUESTION TO SETTLE
Shareholders	Do all shareholders want to transact, at what price, and on what terms?
Board and management	Who runs the process, and what happens to roles after closing?
Funders and lenders	Do facilities have change-of-control or consent provisions?
Family and trusts	Is the transaction consistent with the family plan and trust deeds?

Readiness *assessment*.

A readiness assessment shows whether the business will be seen as credible, transparent and investment-worthy. Preparing for a transaction is about reducing risk.

Governance and shareholding
Who owns what, who decides, and whether it is documented.

Financial records
Statements, management accounts and reliable numbers.

Legal health
IP, litigation, contracts and licences.

Operations
Scalability, workforce and documented processes.

Tax compliance
Returns filed, balances paid, no inherited obligations.

SELF-SCORE: HOW READY ARE YOU?

Score each statement: **0** not in place, **1** partly, **2** fully and documented.

STATEMENT	SCORE
Our shareholding and group structure are clear and documented.	__
Our financial statements have been audited or independently reviewed for 2 to 3 years.	__
Our tax affairs are fully up to date.	__
Key contracts are signed and assignable.	__
The business can run without any single person.	__
All disputes are resolved or disclosed.	__
Our IP, licences and permits are documented and current.	__
A data room could be opened within two weeks.	__

0 – 5
Early. Start with structure and records.

6 – 9
Developing. Several gaps to close first.

10 – 13
Nearly ready. Fix the remaining items.

14 – 16
Ready. Move to valuation and approach.

Preparation *checklist*.

Twelve essentials, grouped by area. Each is among the first things a buyer or financier tests.

GOVERNANCE AND STRUCTURE

- [ ] **Organisational structure** clearly defined, with an entity chart
- [ ] **Cap table and shareholder agreements** updated and signed
- [ ] **Statutory filings and licences** up to date, registers complete

FINANCIAL AND TAX

- [ ] **Financial statements** audited or independently reviewed, last 2 to 3 years
- [ ] **Tax compliance** current, with no outstanding obligations
- [ ] **Normalised earnings** schedule showing owner and one-off adjustments

LEGAL AND PEOPLE

- [ ] **Legal disputes** resolved or transparently disclosed
- [ ] **Contracts** signed with key staff, customers and suppliers
- [ ] **Key-person risk** plan in place
- [ ] **Intellectual property** protected and documented

OPERATIONS AND DATA

- [ ] **Operational SOPs** documented and scalable
- [ ] **Data room** prepared with financial, legal, HR and operations folders

Why it matters. A missing resolution, an unsigned agreement or an out-of-date register costs time at best. At worst it gives a buyer a reason to reduce the price or withdraw. Structural defects are best found by you, early, and corrected before any approach.



The BlackLeaf Capital Readiness Protocol

Before a sale or capital raise, BlackLeaf runs a forensic review of entities, trusts and statutory records, corrects defects, and builds a financier-ready information memorandum and governed data room.

Valuation *fundamentals*.

Valuation is the starting point for pricing. It must be defensible, rational and grounded in market reality. No single method is enough on its own.

01

Discounted cash flow

Forecasts future free cash flow and discounts it to present value. Best for businesses with predictable, growing cash flows. Sensitive to the discount rate and growth assumptions.

02

Earnings multiple

Applies a market multiple to maintainable EBITDA or earnings, benchmarked against comparable companies. Needs clean, normalised earnings.

03

Precedent transactions

Uses prices paid in comparable deals to indicate a range. Useful as a cross-check; context and size matter.

04

Adjusted net asset value

Values assets and liabilities at fair value. Best for asset-heavy, property and holding businesses.

COMPONENTS OF ENTERPRISE VALUE

- Tangible and operating assets
- Goodwill and brand
- Proprietary assets and IP
- Contracts and customer relationships
- Recurring revenue and its quality
- Net debt and debt-like items

WHAT MOVES THE PRICE

- **Up:** recurring revenue, diversified customers, documented processes, clean records, growth
- **Down:** customer concentration, key-person dependence, undocumented arrangements, tax or legal exposure
- **Adjust:** owner salary, one-off costs, related-party terms

Partnering with a valuation adviser anchors expectations before the market tests them. The valuation range, and the reasoning behind it, should be settled before any buyer is approached.

Deal structure *options*.

Not all deals are equal, and flexibility is an advantage. The structure of a deal determines control, tax and long-term benefit.

FORMAT	HOW IT WORKS	CONSIDER
Full sale	100% of the equity transfers to the buyer.	Clean exit; price and warranty exposure
Partial sale	A minority or majority stake is sold.	Governance, drag and tag rights, exit route
Earn-out	Part of the price is paid later, tied to performance.	Clear metrics; who controls the business meanwhile
Share swap	Shares are exchanged, often in mergers.	Relative valuation; liquidity of what you receive
Management buyout	Management acquires the business, usually with outside funding.	Funding, vendor finance, conflicts

ADDITIONAL CONSIDERATIONS

- ✓ Lock-in periods
- ✓ Founder retention packages
- ✓ Equity rollover structures
- ✓ Pre-deal restructuring for tax efficiency
- ✓ Vendor loans and deferred payment
- ✓ Conditions precedent and long-stop dates

CHOOSE THE FORMAT BY ASKING

- ✓ How much control do I want to keep?
- ✓ What is the tax result of each route?
- ✓ What risk will I carry after closing?
- ✓ What can the buyer realistically fund?

> *Choose the format that matches your endgame, then fit the price to it.*

Tax and corporate law consequences differ by route. Obtain tax and legal advice on any structure before it is offered to a counterparty.

Positioning and the *data room*.

Your narrative drives perception. On the sell-side that means a credible story of a scalable, profitable, low-risk business, backed by evidence that holds up.

Investor teaser

Two to three pages, anonymous. Gives enough to create interest without revealing the business.

Information memorandum

The full story, released to qualified buyers under NDA: business, market, financials, team, growth and the transaction.

Buyer qualification

Signed NDAs and a screened list of buyers keep control of confidentiality and of the process.

Organised data room

A governed, staged-access repository so due diligence flows quickly and consistently.

SUGGESTED DATA ROOM INDEX

FOLDER	TYPICAL CONTENTS
1. Corporate	Registration, MOI, registers, resolutions, entity chart, shareholder agreements
2. Financial	Annual statements, management accounts, budgets, debt schedules, normalised earnings
3. Tax	Returns, assessments, VAT, PAYE, clearance and compliance status
4. Commercial	Key customer and supplier contracts, pricing, pipeline
5. Legal	Licences, permits, disputes, property, insurance, IP
6. People	Organisation chart, key employment contracts, policies, incentive schemes
7. Operations	SOPs, systems, assets register, health and safety

Buy-side positioning means clear acquisition criteria, a track record of deals, proof of funding and the ability to execute. A credible buyer is often given better access and terms.

Personal information in a data room must be handled in line with POPIA. Redact or stage access until it is needed.

Negotiation *strategy*.

A sound strategy balances value, protection and certainty. The outcome of negotiation shapes the reality of the business after closing.

DIMENSIONS TO SETTLE

- Price versus payment terms: upfront or deferred
- Warranty periods and indemnity thresholds
- Retained equity or future consulting roles
- Post-deal involvement and earn-out metrics
- Restrictive covenants: non-compete and non-solicit
- Conditions precedent and the closing timetable

TIPS FOR SUCCESS

- Appoint a lead negotiator
- Define walk-away terms before final discussions
- Align legal, tax and commercial strategy in advance
- Keep more than one party engaged for as long as possible
- Trade price against terms deliberately, never by accident
- Record agreed points in a signed term sheet

TERM SHEET CHECKLIST

- [ ] Parties and structure
- [ ] Price, currency and adjustments
- [ ] Payment mechanics and security
- [ ] Exclusivity period
- [ ] Conditions precedent
- [ ] Warranties and indemnities
- [ ] Restraints and key-person terms
- [ ] Timetable and costs

SEQUENCING THE NEGOTIATION

01
Anchor
Open with a valuation you can defend, supported by the data room.

02
Trade
Exchange price, security, timing and involvement deliberately.

03
Close
Fix the agreed points in a signed term sheet, with exclusivity.

Experienced dealmakers reduce risk. Early advice on structure, tax and drafting protects value that is often lost in the final negotiation.

Regulatory and legal *compliance*.

Failure to prepare legally is often the largest barrier to closing. Regulatory readiness is a core value indicator in due diligence.

ENSURE READINESS BY

- [ ] Verifying compliance with local and international laws
- [ ] Confirming ownership of all IP and contractual assets
- [ ] Preparing shareholder approvals and corporate resolutions
- [ ] Anticipating regulatory notifications and filings
- [ ] Ensuring licences, permits and approvals are current

SOUTH AFRICAN POINTS TO CONFIRM

- ✓ **Companies Act.** A disposal of all or the greater part of a company's assets or undertaking generally needs shareholder approval by special resolution.
- ✓ **Competition law.** Whether the transaction is notifiable depends on the thresholds and the parties' turnover and assets. Confirm before signing.
- ✓ **Exchange control.** Cross-border transactions may need approval.
- ✓ **FICA.** Advisers and financial institutions must verify the parties and beneficial owners.
- ✓ **POPIA.** Personal information in due diligence must be protected.
- ✓ **Sector regulators.** Licensed sectors need regulator consent to a change of control.

TYPICAL SEQUENCE OF APPROVALS

01 Board
Board resolution to proceed and to sign.

02 Shareholders
Approval, by special resolution where required.

03 Regulators
Competition, sector regulator and exchange control, where they apply.

04 Completion
Conditions met, funds flow, registers updated.

Integrate legal advisers early. Attorneys should be involved from preparation until completion, not brought in when the price has been agreed.

This page is general information and not legal advice. Thresholds, rules and approvals change; confirm each with your legal adviser for your own transaction.

The six stages of *a transaction*.

BlackLeaf runs sell-side and buy-side mandates in six stages, in order. Nothing is started until the stage before it is settled.

01

Preparation

The group is put in order, the data room is built and the information memorandum is drafted.

Output: clean structure, records, IM and teaser

02

Valuation

An independent valuation range and a pricing strategy are set with the board.

Output: valuation report and walk-away position

03

Approach

A discreet, staged approach to qualified counterparties, under non-disclosure.

Output: shortlisted bidders and indicative offers

04

Negotiation

Offers are compared and the price, structure and terms are negotiated.

Output: signed term sheet and exclusivity

05

Due diligence

A governed data room answers the questions of the counterparty and its financiers.

Output: confirmed offer and drafted agreements

06

Completion

Signing, conditions precedent, funds flow and handover.

Output: closed transaction and an agreed handover

Timing. Mid-market transactions commonly take several months from preparation to completion. The timetable depends on size, readiness and the number of parties, and is agreed in the mandate letter.

09 · AVOID

Common *pitfalls*.

Most failed or discounted transactions share a short list of causes. Each is avoidable.

01
Unclear objective
Shareholders want different outcomes, and the process stalls.

02
Late preparation
Defects are found during diligence, when the buyer has leverage.

03
Unreliable numbers
Unaudited or inconsistent figures reduce trust and price.

04
Key-person dependence
The buyer cannot see the business running without the owner.

05
Customer concentration
One or two customers carry too much of the revenue.

06
Loose confidentiality
Staff, customers or competitors learn of the sale too early.

07
Price over terms
A high headline price hides weak security, long deferral or heavy warranties.

08
No lead negotiator
Several voices, no walk-away position, and value given away.

> *Value is built before the first meeting, and lost after it.*

ABOUT BLACKLEAF

Begin with a *private conversation*.

BlackLeaf is a family-owned group offering corporate advisory, capital solutions, mergers and acquisitions, fiduciary services and family office support. Every mandate is led by a principal.

Sell-side

Preparation, valuation, a discreet approach and negotiation through to completion.

Buy-side

Origination, valuation, offer structuring, due diligence and funding.

Management buyouts

Funding, valuation and governance when ownership passes to management.

TYPICAL MANDATES

Owner-managed mid-market and large businesses, boards and private equity consortiums, with enterprise values from ZAR 20 million to ZAR 500 million and above, across nine sectors.

OUR COMMITMENTS

- ✓ Absolute discretion: mutual non-disclosure before any detail is shared
- ✓ One integrated team across advisory, capital and fiduciary work
- ✓ No engagement begins until a mandate letter is signed

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