



CASE STUDY: BUY AND SELL SERVICES

ACQUISITION AND SALE EXPERTISE ▶ SHEPHERD DEAL FROM START TO FINISH ▶ NEGOTIATION SUPPORT
FINANCIAL REPORTS ▶ DUE DILIGENCE EXPERTISE ▶ REVIEW FINANCIAL STRUCTURES AND DEAL TERMS
▶ WORK WITH CEOS AND LEGAL AND TAX EXPERTS, NATIONAL INVESTMENT BANKING FIRM AND A BIG 4
ACCOUNTING FIRM FOR A SUCCESSFUL TRANSACTION

CLIENT:



National medical billing services company
10 years old
Multi-million dollar privately-owned company

SITUATION:

Pacific Medical Data Solutions wanted to develop a growth plan and increase profitability to position the company for a possible sale within the next five years. They lacked the internal experience and didn't know how to best approach this goal.

Owner and CEO of Pacific Medical Data Solutions for 14 years, Jessica Stewart explains, "When our Director of Finance left, we were able to instead choose a fractional CFO, VertexCFO. They had the expertise in buy-sell transactions to effectively support our strategy. They were able to paint the picture for me and give me a heads-up on what I needed to be prepared for."

PMDS needed to reach a revenue and profitability target, requiring continued focus on their day-to-day business operations. They came to VertexCFO desiring the expertise and guidance to develop a five-year growth plan that would position them for scalability and a successful sale.

SOLUTION:

PMDS felt like they needed two key things to plan for a sale: (1) hire a fractional CFO firm to provide financial expertise and be a key executive team member, and (2) hire a national investment banking firm to provide industry-specific transaction multiples and develop a playbook. Together the VertexCFO team and investment banking firm provided a five-year plan to diversify revenue offerings with key financial goals to maximize the sale opportunity for PMDS.

Several months later, as the CEO and VertexCFO were implementing the plan, a strategic partner approached PMDS, resulting in a Letter of Intent.

Specific steps that followed this assessment included:

1. After the Letter of Intent was received, VertexCFO framed the deal and was a key trusted advisor to the CEO and Attorney. VertexCFO helped the CEO with negotiations,

"Brian Medley and VertexCFO went through the battle with us as our CFO. Brian led the calls, helping me orchestrate my moves because it was brand new for me. I'd never been through anything like that, and he had. He could pass his previous experience on to me and there was a ton of value in it. He touched anything financial. We were able to sell the company in 90 days."

"As a result of working with VertexCFO, when we were approached to sell, we were able to seize the opportunity when it presented itself."

– JESSICA STEWART, CEO

gave strategic advice, and presented the pros and cons and the CEO was successful negotiating a net increase of 18% of the original offer price.

2. VertexCFO served as a key team member with the tax firm. They further provided financial information and analysis to insure the proper tax planning structure. They developed a cash plan to help strategize and control the use of cash.
3. VertexCFO led the process of reviewing the quality of earnings study with a national Big 4 accounting firm.
4. VertexCFO served as an integral team member in negotiating the financial terms in the asset purchase agreement and supporting schedules.
5. VertexCFO worked through the due diligence with the buyer and provided timely and accurate financial documentation.
6. When the sale was complete, VertexCFO was a key transition member to the buyer. They successfully transitioned and remained CFO/Controller for the large national leading healthcare system, which continues to acquire hospital systems.

VertexCFO translated complex data into sophisticated financial models so potential buyers could quickly evaluate the company for acquisition. These models presented Pacific Medical Data Solutions in a very attractive way to strategic partners in the marketplace.

"If an opportunity to sell had presented itself earlier, we wouldn't have been ready. As a result of working with VertexCFO, when we were approached, we were able to seize the opportunity when it presented itself. And we received very positive feedback on the organization and structure of the financials, which reflected positively on our company."

"Selling a business is a daunting and complex process. VertexCFO shepherded the deal from start to finish, providing the general oversight and coordination needed for a successful closing," said Stewart.

RESULTS:

With VertexCFO's expertise, Pacific Medical Data Solutions completed a very successful early sale of the company at a multiple 10 times greater than the industry standard. The process was made smoother and an unparalleled measure of integrity and accuracy was brought to both buyer and seller.

The comprehensive financial information from VertexCFO resulted in the company being able to negotiate and finalize a Letter of Intent for the sale of Pacific Medical Data Solutions in five days.

VertexCFO served not only as a trusted advisor to Pacific Medical Data Solutions financially and strategically, but was there to problem-solve and be a sounding board for ideas. For owners like Stewart who are selling, VertexCFO drives the due diligence process, working with M&A teams (attorneys, tax accountants, bankers, buyers and target companies), carefully examining financial structures and deal terms, identifying and resolving potential snags in those terms and assuring a successful outcome, both financially and culturally.

That's precisely what VertexCFO did for Pacific Medical Data Solutions. Their sale was completed within 90 days from the completion of their Letter of Intent. This included a quality of earnings study, due diligence and the negotiation of the asset purchase agreement.

Stewart relied heavily on the VertexCFO team to assist in the negotiations of all key deal terms to make it a successful sale transaction and maximize the value of the company. All told, she sold her 14-year-old multi-million-dollar company and will be tripling the size of the company in 2.5 years.

"We received very positive feedback from the buyers on the organization and structure of the financials, which reflected positively on our company. Additionally, the purchaser has retained the services of VertexCFO. That speaks volumes."

"Because the financial information was accurate and timely, we finished the financial analysis quickly and closed the sale in 90 days."

– JESSICA STEWART, CEO



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