



Transeo | European Association for SME Transfer

Context

2006 : SOWACCESS [founding member] in EC expert group on « marketplaces »

2006-...: Cross-border collaboration & exchange of good practices between SOWACCESS (Belgium), MKBase (Netherlands) and CRA (France)

2009 : Transeo Conference 2009, Belgium, May 2009 - 200 participants from 18 countries

2010: creation international non-profit association « Transeo aisbl », the EU Association for SME Transfer

2010-2014: development of the association & its activities (Sept 2014 : 40 Members from 14 countries)

Members

- **Professionals** (M&A advisors, matching platforms, lawyers, auditors, accountants, chartered accountants, tax consultants, brokers, banks, private equity firms, ...)
- **Semi-public/Public institutions** (economic development agencies, SME agencies, chambers of commerce, business transfer agencies, ...)
- **Academic researchers** (universities, business schools, research centres, ...)
- January 2015: **43** Members from **13** countries

Belgium – France – Netherlands – Luxembourg – Germany - Italy – Spain – Poland
– Finland - Quebec (Canada) – Morocco – Croatia - Lithuania



Members

actéo
| Cabinet d'Avocats

as.e
agence
de stimulation
économique

Agentschap
Ondernemen

antwerp
management school
The advanced management school
of the University of Antwerp
Famillebedrijven

Wallonia.be
EXPORT
SUPPORT

BDO

BPCE

CRA
COMPTES & RECHERCHES D'AFFAIRES

CEPOR
Centar za politiku razvoja malih i srednjih
poduzeća i poduzetništva

CHAMBRE de
COMMERCE
LUXEMBOURG

Confidentum

Deloitte
Fiduciaire

EY
Building a better
working world

zeppelin university
bridging
business culture politics

harmonie
INTERVENTION
Prévenir et résoudre
les divergences pour sauver la croissance

HEC ULg
Management School - University of Liège

HERMES
HERMES PRODUCTIONS & DISTRIBUTION OPTA

IU
RESEARCH CENTRE
FOR INNOVATION &
BUSINESS
Hogeschool Utrecht

INEPS
INSTITUT NATIONAL
DE LA PRODUCTION
ET DE LA DISTRIBUTION

KOZMINSKI UNIVERSITY

KPMG

M&A STRATEGIE

SUOMEN
YRITYSKAUPAT
www.yrityskaupat.net

MATRAY
MATRAY
HALLET
SOCIÉTÉ CIVILE D'AVOCATS - S.C.

Mktase

propages
agence conseil en économie sociale

PRYMACC
ACTIVITIES & RELATIONSHIPS EXPERT

SOWaccess
Groupe Swaitlin

STUDIOCENTRO
VENETO
since 1968

SUOMEN
YRITYSKAUPAT
www.yrityskaupat.net

Yrittäjät

Reempresa

VLERICK
BUSINESS
SCHOOL

UHDR
UniverseCity

CEROS
FR
Centre d'études et de recherches
sur les organisations et la stratégie

elegis
advocaten • avocats • law firm

enterprise
LUXEMBOURG

LUXVALUATION

KCG
KOENER
CONSULTING
GROUP

Cámara de Comercio de Bilbao

ACQ'CESS
ACQUISITION - CESSON - GESTION
ENTREPRISES EN DIFFICULTÉ

Transeo

Transeo, what's in it for me?

Expertise

- Exchange good practices
- Take part in EU studies
- Learn from academics

Networking

- With other Transeo Members, during Transeo working group meetings & Transeo events/Summits
- With non-Members, including other M&A professionals, academics, institutions and policymakers

Lobbying

- Be informed of the evolutions of EU business transfer policy
- Make your voice heard through Transeo's participation in EU Commission experts groups, consultations, Position Papers, ...

Business opportunities

- Through networking with other Members
- Via the new « Cross-border tool » : possibility to post cross-border profiles and find deals with other Transeo Members

International visibility

- Give international visibility to your company thanks to the Transeo communication tools
- Use the « Transeo Member » logo as quality label

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- Transeo Working Groups & studies – **main lessons learned**
 - **2011 Deal-Breakers study**: 2 types of brakes observed :

Brakes preventing buyers and sellers to meet	Factors that can cause a deal process to be stopped or postponed
Economic climate	Price expectation mismatch
Regulatory constraints	Lacking financing (from banks, or buy-out funds)
Poor availability of information and transparency	Illegal business practices
Political instability	Entrepreneur's reluctance to covenants and delayed payments
Financial constraints	Overall professionalism of the market players
Lacking attractiveness of a market to foreign investors	

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- **2011 Deal-Breakers study:** If most deal breakers are **similar** across the twelve countries under study, the perceived intensity (deal breaking effect) might reflect **local specificities**:

Belgium	High labour cost – Complex regulations – Black payment practices
Quebec	Entrepreneurs' mistrust and widespread culture of secrecy – No company data made public
Denmark	Restrictive labour regulations - High tax levels – Small market size - Specific language
Finland	Small and remote market – Specific language
France	Stringent and inflexible labour regulations and market
Germany	Restrictive labour regulations – Entrepreneurial culture of secrecy and opacity
Italy	Complex regulations – Lasting approvals and payments – Black payment practices
Latvia	Small, remote and declining market (heavily hit by the financial crisis) – Lack of information disclosure – Specific language – Shadow payment practices – Lacking entrepreneurial culture
Luxembourg	Small market size – Networking culture
The Netherlands	Constraining labour regulations – Poor quality of public information on SMEs
Norway	Stringent environmental and labour regulations – Small and remote market – Specific language
Switzerland	Entrepreneurial culture of secrecy and opacity – Complex regulations

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 - **2013 Awareness-raising working group** : how to efficiently raise awareness about business transfer among business owners?

AWARENESS-RAISING PHASES & RECOMMENDATIONS	
IDENTIFY	Select appropriate potential sellers (business owners) through databases & implement a communication strategy/plan
	Establish partnerships to better reach business owners
CATCH ATTENTION	Define a reference organization (at regional or national level) to coordinate the communication towards business owners
	Define the relay organizations and partners who will implement the communication plan with the reference organization
	Define the communication strategy , in order to reach your targets
	Define the communication plan and choose the communication tools to be used: (1)website (2)events (3) documentation (guides, booklets, ...) (4) on-line tools (5) media (6) phone calls (7) meetings, ...
	Define the content of the communication tools and the specific messages to be conveyed to business owners
	At national level or regional level, organize communication campaigns to go proactively to entrepreneurs/potential sellers

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AWARENESS-RAISING PHASES & RECOMMENDATIONS	
PREPARE THE MIND	Organize events such as workshops, trainings , roundtables, ...
	Develop on-line self-assessment tools /diagnosis tools
	Promote practical guides on business transfer
	Promote the existing support programmes for business owners interested to deepen the reflection about business transfer
PREPARE BUSINESS FOR SALE	Organize events to provide information
	Encourage business owners to seek information (guides)
	Encourage business owners to analyze their company in the perspective of a transfer to a new owner (diagnostics & support programmes)
GET STARTED	Promote national or regional support programmes
	Organize professional and technical seminars , with success stories, testimonies
	Organize a follow-up of potential sellers

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▪ Transeo Working Groups & studies – **main lessons learned**

▪ **2013-2014 Valuation study**

- #1 deal-breaker observed in the Transeo 2011 deal-breaker study = « price expectation mismatch » between sellers and buyers
- Focus on the **small market** with a deal value ranging approximately from 250.000€ to 2 million€
- **Objectives** of the study:
 - To identify the **deal-breakers** in SME business transfers coming from a price expectation mismatch between potential buyers and sellers
 - To understand how **small companies** differ from other types of business & whether the **type** of transfer drives a price expectation mismatch
 - To **rationalize the acquisition process** and to **highlight** what should matter and not matter during business transfer negotiations and so the potential source of the discrepancy
- On-line **survey** filled in by **150** experts in valuation of SMEs from **10** countries (France, Belgium, Germany, Luxembourg, Poland, Netherlands, Spain, Italy, Finland and Latvia)
- In addition : testimonials of **5** entrepreneurs (buy-side and sell-side)
- **Networking event - presentation of results** (Transeo Members, respondents & BNP Paribas Fortis management & clients)
- **Final report** (Transeo Members only) ready by early February 2015

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 - **2013-2014 Valuation study** - First results:

VIII. WHAT ARE THE MAIN PRICE DRIVERS?

The survey analyzes five price drivers, which, on top of equity valuation itself, could influence the price expectation mismatch between vendor and acquirer:

1. Buyer's strategy and expected synergies

- 74% of the respondents recognize an effect, estimated between 10% and more than 30% on company equity value
- Expected revenue synergies are mostly important for strategic/industrial acquisitions and (ii) acquirers are reluctant to pay for 100% of the synergies

2. Market structure and competition

- 74% of the professionals recognize an effect of competition on company equity price. This driver positively impacts the price between 7% and 20%
- Market structure and its competition strongly affect strategic/industrial acquisitions.

3. Majority stake in the business

- 50% of the professionals observe a positive effect of majority stake on company equity price, estimated between 10% and 23%

- Majority stakes impact especially strategic acquisitions and management buy-ins.

4. Emotional attachment of the seller

- 64% of the respondents evaluate a significant impact, estimated between 5% and 17%, of emotions on transaction price in small business transfers
- The price required by the vendor in non-family acquisitions should increase, while it should decrease should the family traditions and leadership be upheld

5. Presence/absence of advisors

- 41% of the respondents recognize an effect from 10% to even more than 30% on company equity value while only 24% state a zero-effect
- Advisory is particularly important for strategic/industrial acquisitions and far less important for family transfers

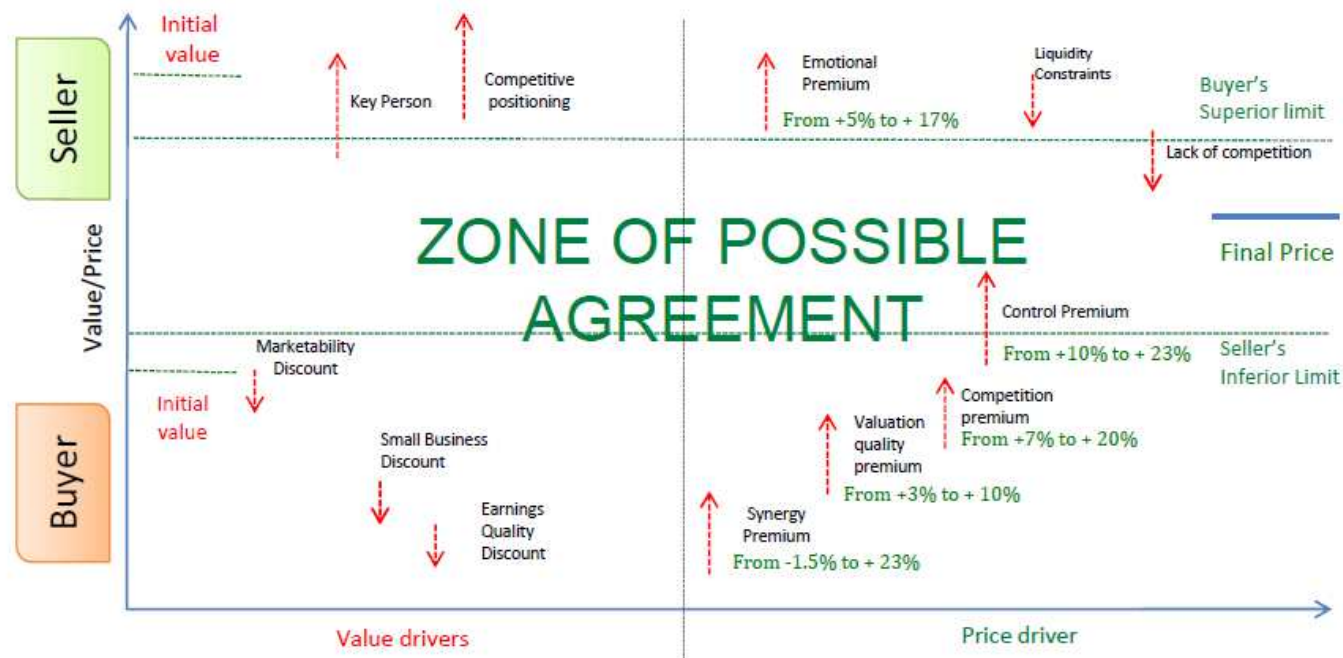
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 - 2013-2014 Valuation study

VIII. WHAT ARE THE MAIN PRICE DRIVERS?

The graph below indicates the value and drivers (with quantification of their impact on price) and illustrates their influence on the buyer's and seller's value and price expectations.



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 - **2013-2014 Valuation study**

X. CONCLUSIONS

Thus, if the buyer and the seller converge on the following 6 elements, the price expectation mismatch should be reduced :

1. Valuation inputs

- Results and cash-flows (Sales, EBITDA, EBIT, Capex, NWC...)
- Growth prospects
- Risks (sector, management dependency, customer/supplier dependency, entry barriers, illiquidity...)
- Net debt
- Non operating assets
- Control/minority

2. Valuation methods

- Methods to be applied
- Weighting

3. Synergies (if applicable) and their fair sharing

4. Seller (and buyer) should control their emotions

5. A sound competition / emulation between few acquirers should be created

6. Buyer and seller should be accompanied by **M&A and/or valuation professionals** so that the aforesaid items can more easily be managed

Finally, the creation of a competitive market which would (i) enhance information transparency, (ii) incite advisory, (iii) emphasize on the need to structure and prepare the process and (iv) raise awareness should foster the SE business transfer.

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▪ **Transeo Academic Awards :**

- Contest to stimulate academic research and reward the best academic papers on SME transfer
- 2 editions (2011-2012, 2013-2014), for instance 3 best papers from last editions:
 - EMOTIONAL PRICING OF RESIGNING ENTREPRENEURS
 - ENTREPRENEURIAL LEGACY: HOW FAMILY FIRMS NURTURE ENTREPRENEURSHIP IN SUCCESSION
 - Small Business Transfer Decisions; What Really Matters? Ireland and Scotland
- Full papers available for Transeo Members in the Extranet Library

▪ **Speeches from academics during Transeo working group meetings and Summits**

For instance, among the most recent events, speeches by:

- Timothy Bovard (INSEAD) *Entrepreneurial Acquisitions: The message in the bottle*
- Mike Wright (Imperial College Business School) *Why buyers of businesses need support*
- Lex Van Teeffelen (HU Utrecht) *Given better support, many more people will be able to buy an existing company*
- Birgit Felden (Berlin School of Economics and Law) *Potential sellers : how best to find them, reach them and raise their awareness?*
- ...

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- **Transeo Extranet :**
www.transeo-association.eu/extranet
- Transeo Members only - Login and password sent to each Transeo Member
- Several sections:
 - User directory : the profiles of all Transeo Members
 - Library : the place to find interesting documents, publications, papers, reports about SME transfer
 - Forum : in order to discuss a specific issue with other Transeo Members
 - Working groups : the place where you can find information and documents of working groups
 - Good practices : good practice sheets, organized by topic and country
 - Cross-border tool [under development]: a tool where you can post profiles of companies for sale or potential buyers in order to conduct an international/cross-border business transfer
 - Country sheets/Mapping [under development] : country sheets with a summary of the SME transfer market and the main stakeholders active in the country in the field of business transfer

THE IMPACT OF ADVISORS WITHIN THE SIBLING SUCCESSION

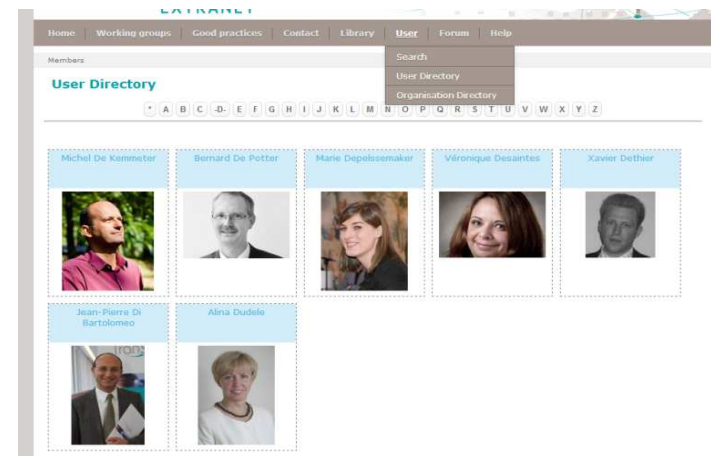
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LECTURER RESEARCHER AT
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(FRANCE)

Top 3 laureates

Name	Author
ENTREPRENEURIAL LEGACY: TOWARD A THEORY OF HOW SOME FAMILY FIRMS NURTURE ENTREPRENEURSHIP THROUGH SUCCESSION ACROSS GENERATIONS	Prof. Peter Jaskiewicz, Associate Professor, Concordia University, Canada
SMALL BUSINESS TRANSFER DECISIONS; WHAT REALLY MATTERS? EVIDENCE FROM IRELAND AND SCOTLAND	Dr. Geraldine Ryan, Lecturer, School of Economics, University College Cork, Ireland
"I WANT THIS TO BE IN GOOD HANDS"—EMOTIONAL PRICING OF RESIGNING ENTREPRENEURS	Nadine Kammerlander

European Commission Publications

Name	Author
Business Dynamics Study	European Commission
European Commission Entrepreneurship 2020 Action Plan	European Commission
Guide "Facilitating Transfer of Business"	European Commission
SBA Review	European Commission
Small Business Act	European Commission
SME Assembly 2013 - report	Marie Depelsmaker



Networking

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- With non-Members, including other M&A professionals, academics, institutions and policymakers

Date	Event type	Place	#
09/12/2010	Transeo aisbl Constitutive Assembly : 1-day event & Gala Dinner	Brussels (Belgium)	100
06-07/10/2011	Mapping working group/deal-breakers study meeting	Brussels (Belgium)	75
23-25/05/2012	Transeo Conference 2012 : 40 speakers from 15 countries	Spa (Belgium)	185
25/03/2013	1st meeting working group "awareness-raising of the seller"	Brussels (Belgium)	25
22/05/2013	Transeo General Assembly 2013	Paris (France)	75
07/10/2013	2nd meeting working group "awareness-raising of the seller"	Brussels (Belgium)	25
18/02/2014	Meeting of the valuation working group	Brussels (Belgium)	25
26/03/2014	"European SME Transfer Summit "	Brussels (Belgium)	165
11/12/2014	Networking event - Presentation of results Transeo-BNP Paribas EU Valuation study	Brussels (Belgium)	150



Lobbying

- Be informed of the evolutions of EU business transfer policy
- Make your voice heard through Transeo's participation in EU Commission experts groups, consultations, Position Papers, ...

- Transeo is recognized as European **reference** Association for SME Transfer
- Partnership with **EU institutions** includes the following actions:
 - Invited as speaker, moderator or co-organizer in EU Commission conferences
 - EU policymakers invited as speakers in Transeo Summits
 - Transeo Position Papers on business transfer policy – Transeo Members consulted
 - Contacts with EU Commission staff, network of SME Envoys & Ministries of Economy in 28 EU Member States
 - Contacts with EU Parliament, EESC, OECD, ...
 - Associate member of “Enterprise Europe Network”
 - Expert in EU Commission expert groups on business transfer – Transeo Members consulted
 - New European project called “EU4BT” carried out on behalf of EU Commission in 2015-2016 to identify good practices in matching platforms in Europe (www.eu4bt.eu)



Business opportunities


- Through networking with other Members
- Via the new « Cross-border tool » : possibility to post cross-border profiles and find deals with other Transeo Members

- Thanks to the network of Transeo Members, you have many possibilities to meet new business partners & work on common projects
- More concretely, from now on, Transeo will focus on stimulating international external growth of SMEs & is now developing a « **cross-border tool** » to enable the **exchange of sell-side/buy-side profiles** between its Members, especially the brokers, platforms, corporate finance advisors, M&A consultants
 - Under development
 - For sell-side/buy-side profiles « eligible » for cross-border/international transfers
 - Under development 1st semester 2015



International visibility

- Give international visibility to your company thanks to the Transeo communication tools
- Use the « Transeo Member » logo as quality label

- Give international visibility to your company thanks to the Transeo communication tools!
- Tools at your disposal as Transeo Member:
 - Transeo Member Logo The logo consists of the word 'Transeo' in a stylized font with a blue and green wave-like graphic behind it, followed by the word 'Member' in a smaller font.
 - Website, www.transeo-association.eu : Member profile, news, ...
 - LinkedIn groups: “Transeo Members”
 - E-newsletters
 - For past editions of the Transeo E-newsletters : see Transeo website>E-newsletters
 - Promotion e-newsletter : as a Transeo Member, you may also benefit from Transeo's international network and visibility. Ask us to prepare a special Transeo E-newsletter for you.
 - Brochures & reports of working groups
 - Available in the Transeo Extranet Library but do not hesitate to contact us to get extra paper copies
 - Extranet, www.transeo-association.eu/extranet

Quotes from Transeo Members



- Sakari Oikarinen (Confidentum Ltd, Finland): Transeo is important to Confidentum for two reasons : firstly, Transeo membership gives us an **insight** of what is happening in BT field in Europe, secondly it is a splendid arena for testing our own theories, practices and training/consulting products. So, briefly, Transeo membership gives us a **competitive edge**.



- Hartmut Schneider (M & A Strategie GmbH, Germany): In a world of increasing internationalization, Transeo is a promising association that creates and supports **new contacts between different players** in the vast field of SME transfer in Europe. Transeo helps its members to build a European network of qualified specialists for **cross-border transactions**. Giving a platform and a survey of what is happening in the field of company transfer in other European countries Transeo **raises awareness** between its members and the different institutions involved. Different countries, different cultures and different legislations do have to find in the end solutions for mostly the same problems. So it is **wise to connect and to find better ways** of international cooperation and collaboration.



- Céline Barredy (CEROS - Université Paris Ouest Nanterre la Défense, France): Transeo is an association where professional experts of business transfer and researchers specialized in that field can **meet**. It is **unique** in Europe. This association must become the leading institution in Europe for business transfer.

Contact



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