

Case Study

SALE PROCESS PREPARATION AND EXECUTION - SPECIALTY RETAIL FRANCHISOR

SECTOR: SPECIALTY RETAIL

Financial Modeling

Valuation Analysis

Internal M&A Support

Sale Process Preparation and Leadership

Team Size: 1 Director

Project Duration: 5 months

Client Quotes:

"We recently partnered with Accordion while undergoing a sale process. Not only did the Accordion team become a trusted partner with management and the private equity sponsors, they operated as an extension of our in-house finance team, melding together to form one team. Their expertise and guidance allowed us to execute the transaction faster and without engaging an outside investment bank, giving us significant cost savings and more confidence in the valuation, process and purchase price."

- Sam Colabuono, CEO, Fantastic Sams

The Requirement – PE Fund Seeking Support for Retail Franchise Chain

A New York-based private equity fund was considering financial and strategic alternatives for its portfolio company, Fantastic Sams, a leading North American chain of hair care franchises with over 1,300 units. The company's financial infrastructure was in need of support and a full financial model rebuild was required in order to test scenario assumptions and evaluate strategic opportunities. Accordion was engaged to lead the financial analysis and assessment of strategic alternatives.

The Execution – Comprehensive Financial and M&A Execution Support

Accordion performed a **full rebuild of the financial model in order to conduct operating scenario analyses**. In the process of evaluating drivers of increased margins, Accordion **uncovered significant profitability drivers from acquiring regional franchises**, and helped management execute on these initiatives:

- Accordion worked with management teams to develop a framework for assessing a regional valuation strategy
- Accordion subsequently supported company management through the execution of several buy-backs of regional franchises
- Also supported the management team with structuring and negotiating an expansion of the company's credit facility to finance the buyback transactions

Recognizing increased profitability from these initiatives, the private equity sponsor **decided to position the company for sale based on a Pro Forma EBITDA validated by Accordion**. The sponsor decided not to hire an outside investment bank since they already had relationships with the likely strategic buyers. As a result of Accordion's creative thinking and analyses, **the sponsor and management asked Accordion to lead the sale process as an internal deal team based at the Company**:

- Accordion's involvement allowed management to focus on their day to day operational roles
- Accordion developed investor materials, led data room management and all information requests. Accordion coordinated all deal phases with the buyers, debt providers, buy-side investment banker, lawyers, consultants and sponsors
- Accordion also developed a financial and operational model for the company's continued strategic expansion in the US market under the new owner

The Resolution – Increased Profitability, Successful Sale Transaction and Significant Fee Savings

Accordion's involvement **allowed management to focus on their operational roles**, while Accordion **executed critical initiatives at the direction of the sponsor**. The sponsor was thus able to avoid hiring an outside advisor and deploying their own resources on a full time basis so they could remain focused on other GP-level responsibilities.

The sale of Fantastic Sams to French company, Dessange (backed by Eurazeo PME, a Paris-based private equity fund), closed in January 2012. Accordion's fees were an addback to EBITDA, and the avoidance of engaging an outside investment bank **saved the sponsor an estimated \$2 million in transaction fees**.

