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June 2015



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## MIDLAND ENERGY EXPO BOLSTERS A BATTERED INDUSTRY

# MIDLAND ENERGY EXPO 2015

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## **Mergers and Acquisitions: Preparing for Change**

Bryan K. Livingston and Paul Puri, Capital Alliance, both of Dallas-based Capital Alliance Corporation, opened the 9:30 a.m. session with their discussion of how businesses can be favorably poised, where the possibilities of mergers or acquisitions are concerned. It was a topic of special interest because of the current softened economic climate in the oil patch, due to the downturn in the price of crude oil.

Bryan Livingston is managing director and CEO of Capital Alliance. He is also the Global Leader of M&A International, Inc., Construction and

Engineering Services industry group. Livingston has ongoing projects in the fields of civil engineering applied to telecommunications structures, heavy civil construction and engineering, energy infrastructure construction and engineering, electrical transmission and distribution, aerospace manufacturing, environmental engineering and remediation services, and deregulated energy retail sales. His primary responsibility at Capital Alliance is providing mergers and acquisitions advisory services to the shareholders of middle market companies.

Paul Puri is managing director and chief development officer of Capital

Alliance. He is also Global Head of M&A International Inc.'s Energy Industry Group, a multinational group of energy investment bankers located in 41 countries. He has over 10 years of experience advising clients in complex M&A transactions that demand his critical analysis and guidance, his industry relationships, his negotiating skills, and his intention to exceed shareholder objectives.

Opening the session, Livingston remarked, "We're not pitching for your business and we are aware that not everyone attending the session has a business to sell. We're consultants and advisors, not a listing service."



With that, he and Puri, working in tandem, took the room through a revealing Powerpoint presentation that had a “focus on lessons learned.”

Said Livingston: “We want to look at things that make sales processes go well. Also at things that don’t go so well, so as to be able to prepare for that.”

Capital Alliance is part of M&A International, the world’s leading mid-cap investment banking organization, with about 600 investment bankers. “We are able to leverage a lot of the accounts we have around the world to bring players to the table,” Livingston said. “Our global connections... help us to get a global picture of what is happening, which is beneficial to clients we serve here in the Permian Basin. We work on projects of all sizes. We don’t have a sweet spot. We’re a full service investment banking firm.”

Some of the topics that the pair covered included:

- Transition planning
- Management readiness
- Financial readiness
- Operational readiness

Said Puri: “Get the right people in place who can run the business, and I guarantee that adds a lot of value when

you get ready to sell the company. So that you are not the only one quarter-backing the company when the time is right.”

Another nugget from Puri: “Some of the best entrepreneurs we work with understand their limits.”

Livingston: “In the patch, deploying technology so that you have a back office system that has near real-time information... is absolutely critical. There are so many solutions out there at affordable cost. You need your back office to be delivering value.”

He offered, as a case history, or a cautionary tale, an anecdote about a company that didn’t follow the sort of procedures that Capital Alliance recommends.

“They had \$125 million in revenues and had no accounting systems,” Livingston said. “We advised them against [rushing into negotiations]. They went ahead anyway. Six months later, we were still trying to get them prepared, but they pushed the button anyway, and the buyers backed away, because they were just was not confident enough.”

Asked how inadequate the company’s accounting was, Livingston said:

“It was like bar napkins and envelopes. They had a general ledger—some of what they needed—but not enough. Having those systems in place and having good financial records, audited books, is of paramount importance. If you don’t have those systems in place at the beginning of the process you are just rolling the dice.”

More advice: “If 50 percent or more of your revenue is coming from a single client, that is a problem you have to grapple with and solve. Because it will always be a problem.”

Puri added this: “What is the quality of the financial statements you have in place today? It is important that you have credentials and backstop. And that your data [including your backward-looking data] won’t be called into question when the time of the transaction comes. Getting audited accounting records is an investment, but it takes a lot of risk off the table, and adds to the value of the transaction. Good quality CFOs are worth their weight in gold.”

Plus this: “It goes without saying: taxes filed, paid. We want to be sure we are rock solid in everything we can check off prior to beginning the sale process.”

