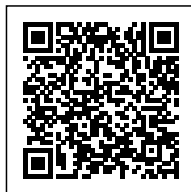


ADAPTING TO THE NEW DEAL REALITY - CUATRECASAS

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Companies contemplating a sale or acquisition in the current business market need to understand that deal valuations and strategies that may have worked only a year ago are now totally outdated, says Fernando Torrente, cohead of corporate at Cuatrecasas.



'We have moved in only a few months from a sellers market, where anything was possible, to a situation in which buyers confidence towards even the most viable and attractive targets may drop on a daily basis. Deals are taking longer, negotiations are more in-depth, and prices are lower.' The result he says is that new strategies have to be adopted on both sides of the deal table.

Las empresas que contemplan una venta o adquisición en la actual situación de mercado tienen que tener en cuenta que las tasaciones y estrategias que funcionaron hace un año están ahora desfasadas, según comenta Fernando Torrente, codirector del área de Mercantil, de Cuatrecasas. Los acuerdos tardan en cerrarse, las negociaciones se profundizan más, los precios son más bajos y

las partes deben ajustar sus estrategias en consonancia.

'Parties have to adopt a common sense approach that fit the reality of the market in which we now find ourselves. Those that want to sell cannot adopt an unrealistic, or confrontational, position that puts unnecessary pressure on potential buyers.

Many are now willing to walk away from even the most attractive deals if there is insufficient transparency, or where sellers are unwilling to offer the most basic warranties.' The danger for both parties, he suggests, is a loss of credibility. If you play games you may lose out.

'Many businesses are now looking to divest themselves of non core assets or operations in order to restore their strategic focus, and for this to happen quickly it may mean adjusting price targets and to be more open about subsequent liabilities. Buyers do not want to wade through thousands of papers in a deal room they want to know where they need to look to make the best analysis.'

But buyers also need to be aware that the banks underwriting deals are also now much more demanding, they may want stronger guarantees, both financial and legal, and to syndicate loans.

'The rules of the game have changed. If even the most basic decisions take longer to decide then parties may likely get scared. All sides need to accept that any positional stances taken in negotiations must be intelligent but most of all credible.'