

Sale of a Company

Client: Loder Drew & Associates, Inc.

The Client: Loder Drew and Associates, Inc. (LDA) was founded 14 years ago as a specialized cost recovery auditing firm. LDA provides audits of procurement and disbursement operations to over 1,500 companies worldwide, including nearly a third of the Fortune 1000 and is the largest privately held firm of its kind in the country. By identifying and validating inaccuracies in disbursements and then managing the recoveries of funds from vendors, LDA has recently grown revenues at a compound growth rate of over 90% per year while returning pre-tax profits of over 30%.

Sequoia's Challenge: Maximize the cash return to our clients. This very profitable, well-run company in a very hot business services arena had significant interest from many potential buyers. Sequoia endeavored to find the acquirer who, by virtue of its strategic value, would pay the most for LDA.

Results: The financial metrics of LDA were so attractive that we had little problem finding suitors. Proposals to buy 40%, 50% and 60% of the stock in anticipation of a future IPO were numerous and attractive. Valuation escalated from \$60 million when we started to over \$135 million. In the meantime, complete acquisition offers started at around \$75 million and quickly rose to over \$150 million. Our charter was to focus on total valuation and cash, rather than stock, as a paramount consideration. Duration of earn-up was another important factor for our clients. Finally, it came down to chemistry and market appeal.

The Profit Recovery Group Intl., Inc. (NASDAQ: PRGX), the largest company in the cost recovery business, acquired LDA in an asset purchase transaction. Terms are such that the principals and employees of LDA have an excellent chance of earning the entire \$160 million purchase price over the next 18 months. This would amount to a price of over 5 times trailing 12-month revenues and approximately 15 times pre-tax profits. We had fun doing this deal. We got an unbelievable result for our clients and a good deal for the acquirer, PRGX. We believe that a good deal has to be good for both sides.

"Sequoia hit a grand slam for us. There is no other way to say it. These guys know how to maximize valuations and structure great deals. Thanks guys!"

Ron Loder, CEO
Loder Drew & Associates, Inc.