The Transaction Process

The sale of a business typically involves three broad phases, Preparation, Evaluation, and Execution. Within each phase, there are several key steps required for a successful transaction. Generally, advisors are brought into the process at the earliest stages and are critical to formulating a strategy as well as executing the various phases. The process is a daunting one that generally would be quite overwhelming and distracting to most businesses. It is important to consider that an advisor can create significant value in the following areas:

- Advise the client on how to best achieve their monetary and strategic goals
- Advise the client on how to prepare the business to optimize the sale results
- Understand the market value of business
- Perform reverse due diligence research on the "buying market"
- Prepare a "Sale Memorandum" document on the business that highlights its attributes
- Market the business to selected and refined group of possible buyers
- Negotiate offer terms from the prospective buyers to provide optimal results
- Evaluate and advise the client on the tax implications of the contemplated transaction
- Consult with the client to compare how the offers are matched to their goals
- Prepare the business for legal, financial, operational and regulatory due diligence
- Provide support to the business throughout the due diligence process
- Assist legal counsel in evaluating purchase documents, restrictive covenants, employment agreements, as well as any other documentation required during the process
- Ensure a smooth and efficient process with minimal distraction to the business owner

A decision to sell is not always easy. Business owners must fully understand the financial implication, as well as acknowledge the potential changes that lie ahead. Travel Trade Only can assist owners so that they are aware of the market dynamics which impact valuation; can position the business in its best possible light to obtain the most favorable terms; fully understand the tax implications of the transaction; as well as having a clear grasp of transaction events and changes so that owners are well prepared for any eventuality.

The Preparation Phase

There are five key steps in Preparation Phase which involve;

- Determination of shareholder goals
- Understanding the value of the business
- Extensive research on the acquisition marketplace
- Developing the Sales Memorandum
- Evaluation of the methods to approach targets and structure transactions

Each step requires important analysis as well as careful assessment of advisory output and recommendations. This phase is the foundation for all of the remaining stages of the process. On average, this phase takes from six to ten weeks to complete.

The Evaluation Phase

There are four key steps in the Interim Phase which involve;

- Solicitation of Interest: determination of targeted acquirers and initial contact with the targets. Re-evaluation of the approach. (Public auction, selected auction, market canvas, individual)
- LOI/Expression of Interest: initial meetings and evaluations, initial negotiations, continued reverse due diligence, receipt of initial offer(s), time sensitivity, termed conditioned
- Assessment/Negotiation: renegotiations of salient items to be resolved or contained in the initial offer(s), financial planning objectives applied, level the playing field, renegotiate disparity with selected partners, fine tuning, deal breakers
- Select Partner: evaluation of all offer(s), and selection of the transaction partner. Receipt or refinement of final offers, final assessment, select partner

It is important to note that this phase also includes negotiations of post-transaction employment terms as well as role definition within the acquired entity. On average, this phase takes from eight to twelve weeks to complete.

The Execution Phase

There are four key steps in The Execution Phase which involve

- Execution of the Letter of Intent/Heads of Terms; (final evaluation of all elements, deal terms finalised, preparation for DD, targeted close date established, initial drafts of agreements circulated)
- Due Diligence: preparation for and execution of legal, financial, operational, property, land title and regulatory due diligence; (legal review, financial review, regulatory review, operational review, complete validation, audit)
- Contract: negotiations and drafting of all definitive contracts, schedules and disclosures; (Definitive agreement, employment agreements, non-competes, stock options)
- Close: closing of the transaction; (all consents received, DD completed, consent from lawyers on agreements and terms, all agreements executed, cash & stock /agreements exchanged)

This is typically the most daunting phase of the entire process as the number of professionals converging on the transaction increases and refinement of all deal terms are negotiated for the final time. On average, this process takes from four to eight weeks to complete.

Summary

In all the sale process can conclude in under six months, however, in some circumstances the process may take much longer. It is not unusual to 'reach the altar' and 'walk away' several times before concluding a deal. In these situations your advisor will be able to manage the relationships to ensure that no long term 'emotional' damage prevents a deal being done and provide you with an indication of the likelihood of completion within a given timeframe.

The fact remains that the role of a professional advisor is critical to navigate the seller through this entire process. Chances are that most business owners will only ever sell their company once during their lifetime. It is critical to select a professional advisor to assist throughout this challenging endeavour.

To find out more about selling your business, or managing a friendly take-over, Management Buy In/Out or asset sale please register your interest by contacting Henry Hallward or Harry Cobb on 01635 254237. All discussions will be treated as highly confidential.