

OWNER'S GUIDE:

WHEN TO START A SALE PROCESS

***AN INSIDE LOOK AT THE PROCESS AND THE
FACTORS THAT OFTEN DELAY & KILL DEALS***

TENNEY
GROUP

To execute a business transition (business sale) at a desired time, it is critical for owners to understand how deals get done and the customary timelines associated with them. Though business owners can't control every factor that might influence the length of a sale process, it's their responsibility to educate themselves about the process. In doing so, they can identify potential issues outside their control that could delay or put a transaction at risk and take appropriate action. Below is a simple outline of the sale process, the associated timeline at each stage, and the potential issues that extend the length of an already difficult process.

PROCESS OVERVIEW



**DAY
1 - 30**

DAYS 1 - 30

Major Objectives:

Onboarding, Information Collection, Normalizing Financials, Creating Expectations About Possible Outcomes/Deal Structures, Educating about Process/Best Practices

Summary:

Imagine you are going to court. The first 30 days of the sale process are about building a case to purchase your business at its highest value and preparing yourself to be successful later in that process.

Once the seller has a handle on the range of offers and structures that the market will make available, it is recommended to equip your wealth and tax advisors with that information. Getting additional counsel on the front end will ensure you can respond to offers decisively when time matters.

Potential Delay Issues:

- Poor financial documentation (cash vs. accrual bookkeeping)
- Not closing monthly financials fast enough (15 days or less)
- Not delegating a portion of the information collection
- Owner vacations or any other distraction that an owner prioritizes over the foundation of the sale effort.

**DAY
31 - 90**

DAYS 31 - 90

Major Objectives:

Building Buyer Target List, Creating Marketing Materials, Marketing

Summary:

During this stage, sellers and their advisors should be building a thoughtful target list. This should include buyers who have the most synergistic benefit from an acquisition and have demonstrated the financial capability and desire to do a deal.

Potential Delay Issues:

- Top buyers are already committed to another deal or in the process of integrating a recent acquisition. Consequently, they can't give a seller's deal consideration for six months.
- Top buyers are in litigation, just had a fatality or some other personal issue that is preventing them from engaging into discussions.
- Pending tax, political or regulatory developments have top buyers in a "wait and see" position.
- Ineffectual outreach to buyers (wrong contact information or not relational access to the right targets who make decisions about acquisitions).
- The seller or their sale representation is focusing on the wrong investment highlights and presenting them to the wrong buyers in the wrong way.

**DAY
91 - 120**

DAYS 91 - 120

Major Objectives:

Responding to Buyer Questions, Negotiating Offers, Addressing Executing Risks with Each Buyer

Summary:

This stage should allow the seller to see a variety of proposals from different types of buyers. Different buyers will see and value the business differently.

They will also have different post-transaction visions or plans for the business.

As sellers see several different proposals and meet different buyers, they will begin to identify the right deal and the right people. Sellers cannot afford to move beyond this stage with a buyer who has not demonstrated a “certain” path to close or satisfied the execution risks associated with selecting a buyer.

For example, if the buyer is a fundless sponsor, that doesn’t mean they can’t do the deal. It means you need to understand their track record with other deals and their process of securing a sponsor after the Letter of Intent is executed. If you sign a Letter of Intent without this understanding, you may waste 90-120 days with someone who never had the ability to do a deal.

Potential Delay Issues:

- The buyers and their teams struggle to turn around offers due to bandwidth issues on their end.
- The seller has a financial performance “dip” during discussions that ultimately spooks highly engaged buyers.
- The seller gives the buyer too much time and too much information without requiring a deadline or general guidance about timeline expectations.

Note: If a seller is dealing with only one buyer, it is difficult to influence the transaction timeline in a meaningful way.

**DAY
1 - 30**

DAYS 121 - 150

Major Objectives:

Management Meetings, Choosing Buyer, Executing Letter of Intent

Summary:

At this stage, buyers want to meet key management team members to, in some cases, solidify a more formal offer or Letter of Intent. It is also a courtship period. Buyers and sellers are trying to confirm they have strong chemistry and a strong path to address the economic objectives of the deal.

Potential Delay Issues:

- Sellers fail to conduct a compelling management meeting and leave the buyer uninspired about committing the necessary effort to do a deal.
- Schedules for management team meetings with buyer/seller do not coincide.
- Attorneys, on either side, do not have sufficient bandwidth to turn around/Review Letters of Intent in a customary way.
- Sellers can not satisfy offer response deadlines because they failed to loop in their wealth advisors and tax advisors when it was recommended.

**DAY
151 - 210**

DAYS 151 - 210

Major Objectives:

Due Diligence, Quality of Earnings Analysis, Management Meetings

Summary:

At this stage, the buyer is taking typical steps to ensure what was advertised about the business matches reality. They are also beginning to meet more with both management teams and to consider post-transaction integration strategies.

Potential Delay Issues:

- Seller has a performance dip.
- Seller can't keep up with the flow of due diligence information requests.
- Buyer has a poorly organized virtual data room that invites redundant information requests, or waste.
- Buyer gets traction on a separate deal that is a greater strategic priority. Consequently, your deal is paused indefinitely.
- Buyer discovers something about the business the seller didn't know existed and it causes a deeper due diligence dive.
- A performance dip requires negotiating the deal.

**DAY
211 - 270**

DAYS 211 - 270

Major Objectives:

More Due Diligence, Negotiating Purchase Agreement, Closing

Summary:

At this stage, buyer and sellers should be working closely to ensure a smooth transfer of ownership. The bulk of due diligence should be wrapping up, but it never really ends until the money is wired. Buyers and Sellers should be relying on experienced professionals to iron out the definitive purchase agreement. They will also be finalizing a post transaction operations and integration strategy and finalizing a working capital calculation.

Potential Delay Issues:

- Attorneys reach an impasse on the purchase agreement and offer no solutions for how to help their respective clients share risks.
- Either party digs in on minor deal points only to create major delay.
- Buyer's advisors elect to change transaction from an asset to a stock purchase or vice versa.
- Buyer is unable to get third-party consent for the transaction and the seller is forced to start over with another buyer.
- Lastly, the buyer's preferred funding source backs out or changes their attitude about how they will fund the deal last minute...leading to a marketing stage reboot. In response to performance increase, the seller asks for a disproportionate purchase price increase...forcing the buyer to press pause.

CONCLUSION:

Sellers who achieve the best results and experience the least amount of stress with their exits from the trucking industry have one common characteristic.

They build in space and time for the things they can't control around their industry exit. As you can clearly see in this outline, there is a litany of factors that can add days and, sometimes, months to a deal – even when the parties on both sides of the table have significant transaction experience.

With extra margin to work with, owners avoid offering deal concessions they wouldn't otherwise make (out of frustration or fatigue). They also do a better job of avoiding M&A pitfalls and choosing the next trustee of their company's legacy.

Waiting does not equal winning. What are you waiting for?



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