William Blair



Exit Strategy: Preparing for the Transaction Process

When it comes to selling a business, no two transaction processes are the same. But there are commonalities in terms of what happens, when major milestones typically occur, how long each stage usually takes to play out, and some best practices.

The following outlines what business owners can likely expect after deciding to embark on a liquidity event, based on William Blair's extensive experience advising companies through the M&A process. The process involves four primary stages, as listed below (note that timelines for each stage often vary):

1. **Sell-Side Preparation**
2. **Formal Market Outreach**
3. **Initial Due Diligence**
4. **Final Diligence/ Negotiation**

Sell-Side Preparation (8–12 weeks)

This stage begins with gearing up to go to market, and doing so begins with drafting a suite of marketing materials and preparing to respond to information requests from potential investors. The marketing materials include a teaser (an anonymous one-to-two-page summary of the company) and a detailed Confidential Information Presentation (CIP) that provides all material information potential partners should require before they make a preliminary bid. Depending on the sale process, a brief company presentation (10-15 pages) is sometimes created to give an early look to select, high-priority buyers before formal market outreach.

Companies should also prepare financial information such as a three-to-five-year forecast model with detailed historical performance and future projections. The growth opportunities should be clearly quantified and additional supporting financial analyses prepared on the company's customer/sales database. The company should also work with an accounting transaction advisor to prepare a quality of earnings (QofE) report and potentially explore hiring a consultant to create a market study. These financial analyses and third-party work products should tell a cohesive story and create conviction around the future investment opportunity.

A Premier Advisor for Nearly Nine Decades

Since 1935, William Blair has guided owners of closely held businesses and their trusted advisors through monumental decisions. Our relationship-driven approach empowers owners to maximize the value of their businesses—and turn that capital into an enduring legacy. We invite you to contact us to discuss the ways we support and advise business owners and help our clients capitalize on the tremendous opportunities available to them today.

What Companies Can (and Can't) Control in the Transaction Process

Business owners might want to take control over all elements of the transaction process, but doing so is almost certainly impossible. With so much at stake, it is worth understanding which elements a business owner can control—and which ones they can't.

In Company Control	Out of Company Control
" 1&3")6 !&0-) 6&+$,*- +6 0 3)2" /" 1&+ through existing scale /1& 2) 1&+$,*- +6 0 01/ 1"$& +! ,*-" 1&+ positioning and scarcity value • Highlighting and clearly articulating growth potential • Showcasing an impressive management team /"- /&+$ +! ,/$ +&7&+$ + + &) ! 1 +! company information • Proactively addressing any potential issues that buyers could spot	• Market dynamics/valuation environment • Investor priorities and strategic buyer synergies • In-depth knowledge of individual buyer behavior (responsibility of your investment banker) • Creating competitive tension (responsibility of your investment banker)

Formal Market Outreach (6–8 weeks)

Then, it is time to begin formal discussions with investors. The overall pool of potential investors will be discussed and agreed upon prior to any outreach, and how inclusive the process will be is the result of the company leader's objectives, advisor insights, business model, type of transaction, and market dynamics, among many other factors. Then, the company's banking team will take a hands-on approach to investor outreach, typically sending the aforementioned teaser to a group of buyers on a "no names" basis. If the sale process includes early-look meetings with high-priority buyers, this tactic can generate early interest and better educate select buyers ahead of the more formal marketing outreach to the full buyer list.

After buyers have received the teaser and expressed interest to learn more, confidentiality agreements are entered into place and the CIP is shared to provide additional information. Highly interested buyers will typically submit a brief list of follow-up diligence questions to better inform their initial indications of interest (IOI), i.e., their initial bids. Following the receipt of formal IOIs, the list is further winnowed down to determine who will meet with company leaders for management presentations, a 30-to-50-page presentation delivered live by senior management to discuss key investment highlights, growth opportunities, and financial performance.

Initial Due Diligence (6–8 weeks)

This stage is often the most taxing for business owners because potential buyers will truly dig in, which can be a drain on a management's time and resources. As a result, preparation and organization are key to navigating this part of the process, as business owners must present the story of the business and discuss its outlook while simultaneously providing access to a large amount of company, financial, accounting, legal, and HR information through a secure data room.

Then, there will be more questions from the potential buyers and their third-party advisors (e.g., lawyers, bankers, lenders, and consultants). While that sounds like a lot, it's a good sign when buyers are spending money on third-party advisors and submitting numerous questions, as it signals strong interest in the business. Once the questions are answered, the potential buyer(s) will submit a revised bid.

Final Diligence/Negotiation (4–6 weeks)

Now, it is time to collect final bids (depending on number of parties remaining), which should include a full markup of the purchase agreement. The markups require working with legal M&A counsel and outlining the key transaction structuring elements.

If more than one party remains in the mix at this point, the company and its advisors should commence multiparty negotiations and complete any outstanding due diligence questions. Once a buyer is picked, a signing is conducted with a closing thereafter.

In addition to learning about the above process, business owners should understand what factors are and aren't under their control during transactions (see chart on previous page), as time is everything in a deal and it is important to know where to spend it effectively. Doing so and knowing what to expect during transactions will pave the way for an effective sales process.

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