Ten-point guide to selling your business

Part 3: Going to Market

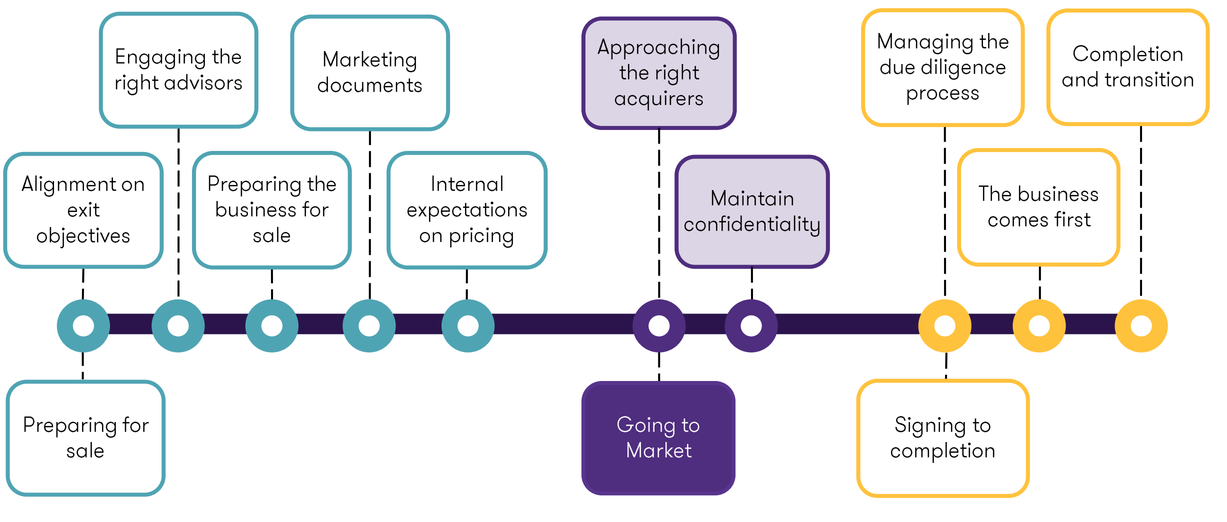
Financial Advisory

Introduction

Following on from Part 2 of our **'Ten-Point Guide to Selling your Business'** publication, which focused on 'Preparing for Sale', we are pleased to introduce Part 3 of the series, where we will focus on the **Going to Market** stage of the process.

We have outlined three key stages within the process of selling a business, which involves a total of ten steps. These steps aim to safeguard your business's value, establish connections with suitable acquirers, and enable well-informed decision-making throughout the entire process.

The Three Stages to Selling A Business



To achieve the optimal deal value, business owners need to focus on negotiating favourable terms, running an efficient and confidential process, and keeping business disturbance to a minimum. Additionally, having the right advisor who provides you with competent advice, guides you through understanding a realistic valuation for your business and who can find the right acquirer for your company will ensure a successful sale process.

Going to Market is a pivotal phase in the business-selling process. It involves approaching selected investors, presenting key marketing materials (such as an information memorandum and teaser), to highlight the unique selling points and growth opportunities for potential acquirers. Targeting potential acquirers through curated contact lists and industry databases is essential, aiming to generate interest and foster a competitive environment that could increase the sale price. Success in this phase depends on a targeted and well-structured approach, attracting suitable acquirers and securing favourable offers for the seller.

Part 3: Going to Market

Approaching the right potential acquirers

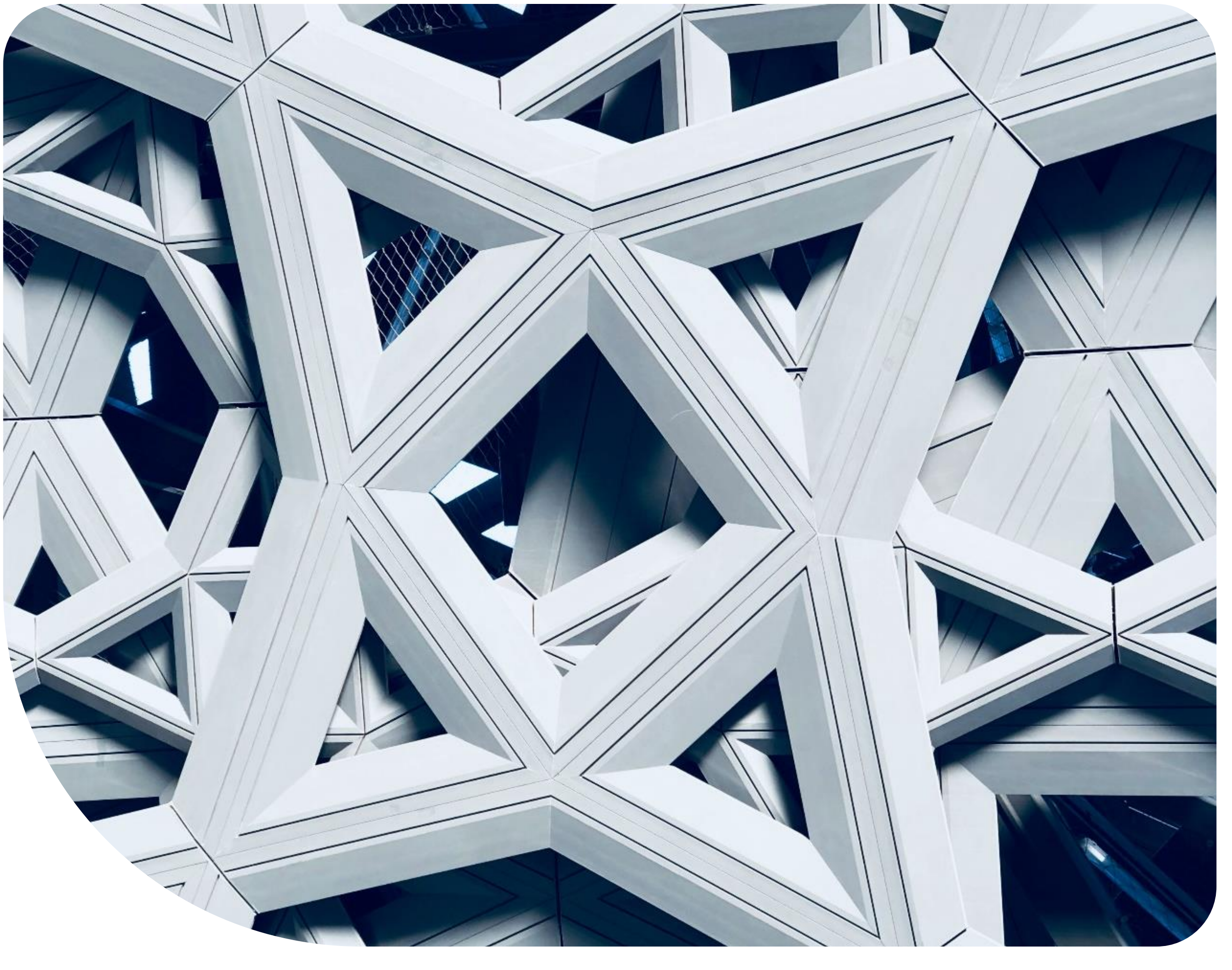
After completing the preparation phase, arguably the most critical stage in the process is **'approaching the right potential acquires'** for your business, the deal's "make-or-break" moment. Before progressing with this stage, it's important that there is alignment amongst all shareholders, as discussing and agreeing upon the type of potential acquirers you aim to target is crucial.

Below are a few initial but critical discussion points that shareholders must address prior to initiating the **Going to Market** phase:

- Do the potential acquirers align with the long-term strategic goals and vision of my business, what is their motivation behind the acquisition?
- Can the potential acquirers demonstrate the financial capability to acquire and sustain my business?
- How well does the potential acquirers organisational culture align with that of my company, ensuring a smooth transition for employees?
- Do the potential acquirers have a track record of acquiring and successfully integrating with businesses similar to mine? Are there similarities in their existing portfolio or operations?
- Are there clear synergies between my business and the potential acquirer's operations that can result in mutual benefits?

You may ask, where should I begin? The following outlines the typical process behind this critical stage:

1. **Target Identification:** Your chosen advisor would need to analyse your business thoroughly to understand its strengths, financial performance, and growth potential. Aligning potential acquirers' criteria (i.e. Shari'ah compliance, ticket size, stage in the business cycle) is crucial.
2. **Networking and Research:** Your advisors would need to leverage their industry connections, investment networks, and market research to create a list of potential acquirers. This often involves utilising internal databases, industry reports, and professional networks to identify companies or individuals that have previously shown interest in similar acquisitions.
3. **Tailored Communication and Relationship Building:** Tailored marketing materials such as an information memorandum and teaser, that specifically address the needs and interests of potential acquirers, are important to share. In addition, engaging with potential acquirers in a way that not only highlights your business's strengths, but also emphasises the mutual benefits of the acquisition, is crucial. Direct meetings, presentations, and negotiations play a pivotal role in nurturing interest and trust. Even if some approached parties may decline the opportunity, obtaining feedback on why the opportunity isn't suitable helps tailor your approach. Incentives for potential acquirers may also involve offering site visits or providing management presentations.



Maintaining Confidentiality

Maintaining confidentiality during the sell-side process is crucial to protect sensitive information and ensure a smooth transaction. Sellers should consider the following:

1. **Confidentiality Agreements and Process Letters:** A non-disclosure agreement ("NDA") that establishes the terms under which a potential acquirer gains access to confidential information. It includes clauses defining the scope of information, duration of confidentiality, and consequences for breaches. Additionally, a process letter will be provided to approached parties along with the information memorandum, which typically should stipulate the following; (i) the auction schedule (i.e. timetable, number of bidding rounds and deadlines for bid submissions); (ii) instructions on obtaining data room access; and (iii) contact information and terms bidders should include. Your advisor can assist with preparing NDA's and process letters, ensuring that they are comprehensive and protect the seller's interests, whilst making sure timelines are met. It is important to remember that any party entering late should comply with previously agreed-upon timelines.
2. **Limit Initial Disclosures:** In the early stages of a process, the seller should limit the internal disclosure in relation to the transaction to the senior management (i.e. C-Suite management) while the external disclosures should be limited to the selected advisors and potential acquirers post signing the NDA.
3. **Control Information Flow:** The seller should manage the release of information based on the acquirer's progress in the acquisition process and your advisor can help the seller assess the potential acquirer's engagement and readiness, ensuring that information release aligns with the progression of negotiations.
4. **Access to data room:** Virtual data rooms are secure online platforms for due diligence, allowing controlled access to confidential documents. Your advisors can assist in setting up and managing data rooms, ensuring secure access, and guiding acquirers through the due diligence process.
5. **Employee Communication:** The seller's employees are typically informed about the sale without disclosing sensitive details that could impact morale or business stability. Your advisors can help in designing internal communication plans, ensuring that employees are informed appropriately and that potential disruptions are minimised.

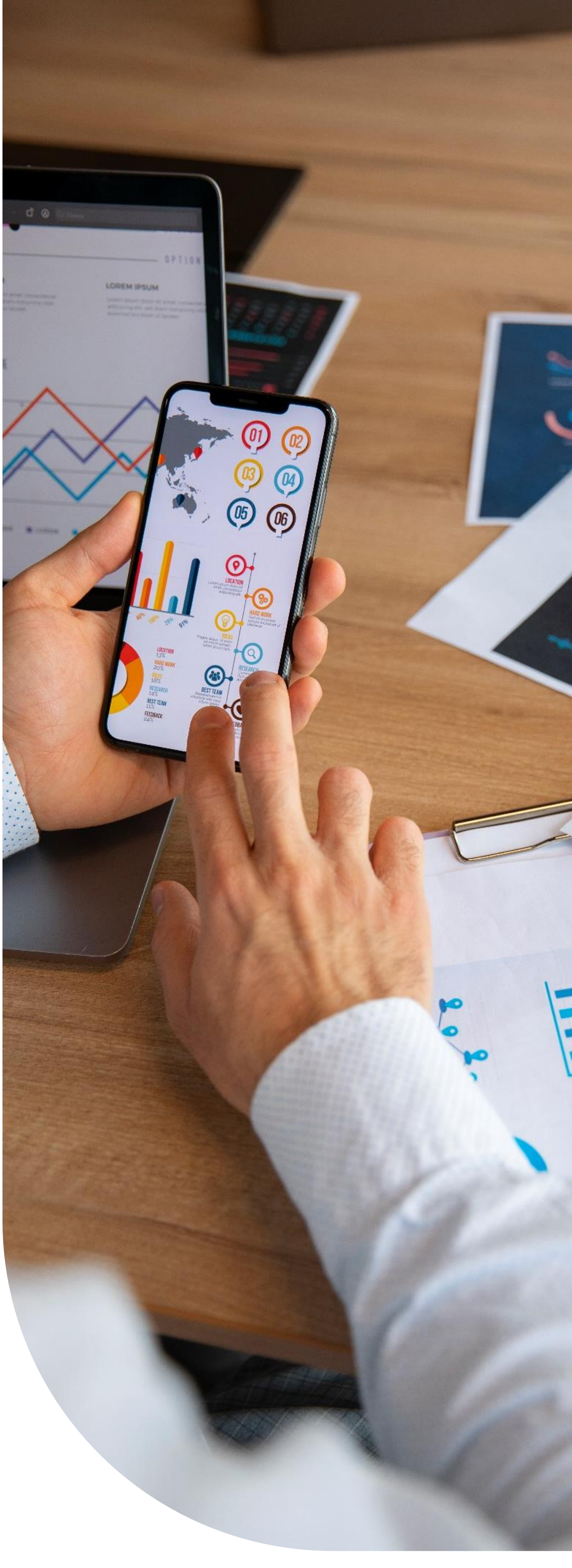
Maintaining confidentiality during the sell-side process is paramount to safeguarding sensitive business information. Through meticulous planning, controlled information disclosure, and the strategic use of legal instruments like NDA's, sellers can mitigate the risks of premature data exposure. Advisors play a pivotal role in crafting and enforcing these measures, ensuring a secure environment for negotiations. The commitment to confidentiality not only protects the seller's interests but also fosters trust with potential acquirers, contributing to a smooth and successful business transaction.

Conclusion

At the end of this stage of the sale process, typically the prospective acquirers would submit their non-binding offers after they have performed their initial analysis of the business. Implementing an effective and efficient process enhances your likelihood of creating competitive tension amongst bidders. Ideally, this leads to receiving multiple non-binding offers for your business, enabling you to negotiate the best commercial terms before choosing the preferred party to proceed with.

Regardless of what stage in the sales process you are at, Grant Thornton can help you in understanding the intricacies of the exit journey and guide you towards the achievement of your strategic objectives.

In the next phase of this journey of developing an understanding of the steps involved in 'Selling a Business', we will dive deeper into the expectations behind the '**Signing to Completion**' stage.



Financial Advisory Team

Our Financial Advisory team actively originates and executes transactions across a range of sectors. Some of the current as well as recently completed transactions include businesses in logistics, technology, real estate, food & beverage, healthcare, education, financial services and oil & gas.

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