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This article is part two of a three-part series that guides business owners around the process of selling their business.

FIVE ESSENTIAL STEPS DURING THE SALE OF YOUR COMPANY

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The first installment addressed the Five Essential Steps to Take BEFORE Selling Your Company. You can find that **article here**. For reference, the first article covered the following points:

1. *Assess Motives*
2. *Timing and Financial Preparation*
3. *Operations and Strategic Planning*
4. *Legal and Compliance Review*
5. *Strong Management Team*

This article prepares sellers for the sales process and highlights potential areas of value creation.

1 MARKET STRATEGY

2 CONFIDENTIALITY MEASURES

3 NEGOTIATION AND DEAL STRUCTURING

4 DUE DILIGENCE

5 CLOSE THE TRANSACTION

1 MARKET STRATEGY

A comprehensive and compelling market strategy attracts potential buyers. This tool tells the best story about the organization, essentially what it does well, what makes it different and why it is a valuable acquisition. It can make all the difference when positioning your business for sale and securing maximum deal value. Businesses with strong market strategies understand their clients and competitors, identify what they do well and makes them unique, manage their brand and reputation, know where they want to go and prioritize steps for how they plan to get there.

Identify a target buyer group and tailor your market strategy specifically for that audience. Does that include strategic buyers, who already work in the industry, or financial buyers that have expressed interest in the sector? Business brokers, investment bankers, or M&A advisors often have a curated network of investor contacts, either local, national or international, depending on the size of their market reach and network and can help narrow down the audience.

The market strategy may include a confidential information memorandum, or CIM. CIMs are typically a presentation document from 50-150 pages that describes much of the quantitative and qualitative attributes of the company. It also highlights industry trends, competitive landscape and growth opportunities of the business. Each CIM tells a story, highlighting why the business is an attractive investment opportunity through persuasive language and powerful visuals including tables, graphs and other data visualizations.

TAILOR YOUR MARKET STRATEGY SPECIFICALLY FOR A BUYER GROUP

2 CONFIDENTIALITY MEASURES

Public reporting requirements obligate public companies to disclose financial statements and other business information to the public, which helps investor decision making. Private companies are just that, private. Keeping your information confidential is a crucial step in the selling process of your company. This is especially important if the news of the sale of your business could disrupt operations or unsettle your employees and clients.

The way to maintain confidentiality amongst interested buyers is through the signing of a non-disclosure agreement, or NDA. An NDA is a legal document that protects your business by installing legal ramifications against sharing information about the potential sale, or the sensitive details exchanged during the process.

While an NDA may theoretically be bulletproof, enforcing it could prove expensive and futile once broken. It is wise to limit engagements to serious, reputable and qualified buyers that you are willing to trust with your company's confidential information.

LIMIT ENGAGEMENTS TO SERIOUS BUYERS YOU TRUST

3 NEGOTIATION AND DEAL STRUCTURING

Go into negotiations with a clear understanding of your desired terms and conditions. This stage includes preparing a letter of intent, or LOI, which is the first formal expression of the buyer's interest in purchasing the company. The LOI outlines the buyer's intentions for the transaction and includes the all-in sale price, payment structure, contingencies, and any post-sale involvement or earn-out requirements for the seller. Flexibility is essential during negotiations, but it's also important to prioritize your interests and objectives.

KNOWING WHAT A POTENTIAL BUYER SEES IN YOUR BUSINESS PUTS YOU IN THE DRIVER'S SEAT

Prioritizing your desired terms is just as important as understanding the potential buyers' motivations. For example, a strategic buyer could find your business very attractive given the specific economies of scale it brings to their company. Alternatively, a financial buyer may be a strong player in your sector with ample expertise and can add lots of value in growing the company in the future. Knowing what a potential buyer sees in your business puts you in the driver's seat when negotiating terms. Working with a seasoned professional in mergers and acquisitions could add tremendous value in structuring a deal, as these teams deal with industry players day in, and day out and typically have a strong grasp of what to look for, what to avoid and any red flags.

4 DUE DILIGENCE

Once you've selected a buyer, the due diligence process begins. The investor will analyze your company's financial performance, operational condition and legal risks. Provide the necessary documentation and information promptly; being transparent and cooperative during this phase expedites the process and maintains trust between both parties.

Take heed, the due diligence process is an arduous one that takes lots of time from those involved in collecting and organizing the information. Lean on your team of professionals, including lawyers, accountants and merger and acquisition advisors, to help streamline the process so you can continue to run your business with limited disruption during this strenuous stage. Having a trusted team of advisors behind you is also beneficial should something unexpected be discovered during this stage that requires renegotiations.

5 CLOSE THE TRANSACTION

After successfully navigating negotiations and due diligence, work with your legal and financial advisors to close or finalize the sale agreement. Ensure that all legal documents are accurately drafted and that the transfer of ownership is smooth. This is also the time to address any post-sale transition plans, if applicable. This could include your transition employment or consulting engagements or discussions surrounding wealth management and overall legacy planning. Working with a trusted and capable team to get you to the next chapter is just as important as those who supported the transaction.

CONCLUSION

The sales process of preparation, finding a buyer, mapping out terms and executing the deal will likely be one of the most complex exercises of an entrepreneur's life and should not be taken lightly, or alone. Understanding these five essential steps during the process of selling your company provides a better appreciation of what to expect during the deal and increases the likelihood of a successful and mutually beneficial transaction. Remember, seeking guidance from professionals experienced in mergers and acquisitions can greatly assist you in navigating this complicated process.

Watch for the third and final article in this series that targets post-deal communications, integration and change management.

HOW WE HELP

At Baker Tilly Capital (Canada), we know one of the most important financial transactions for a business owner is the sale or merger of their company. It's a process often laden with high emotion, stress and unforeseen pitfalls. And while an exit should mark a triumph, if not properly managed, it can also mean a lifetime of work is devalued or diminished. In most business transactions, the main difference between these two outcomes is the quality of the advice received during the sale.

That's where Baker Tilly Capital (Canada) comes in. We specialize in delivering expert and attentive financial service our small- to mid-market clients need. Our dedicated team is experienced and flexible, focusing on providing sell-side advisory, including tax and valuation services.

At Baker Tilly Capital (Canada), we will be in your corner every step of the way and will help you realize your earned success.

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Incite is western Canada's growth strategy firm specializing in market and brand strategy, M&A communications and integration services, and strategic planning. We work with owner-managed companies at every stage of a transaction to solve complex problems, make informed decisions, and build actionable plans that unlock new opportunities for growth.

Confidence is key when stepping into a merger or acquisition; Incite partners with organizations looking to ensure the time is right to sell. We work closely with founders, owner managed companies, and management teams to drive pre-exit growth and value creation. This can include strategic planning, market and business development strategy, deal readiness assessment, and brand assessment and enhancement. Incite partners with clients to ensure the organization is ready and the time is right. .

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