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Navigating the Transition: Strategies for Engaging, Retaining, and Integrating

October 30, 2024



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Introductions



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Series Recap

Session 1: Planning for Succession Begins the Day You Establish Your Business

Session 2: Protecting From the Unknown

Session 3: Structuring and Planning

Session 4: Strengthening Your Business: Enhancing the Value

Session 5: Transition Options

Session 6: Navigating the Transition: Strategies for Engaging, Retaining, and Integrating



Session Six: Navigation the Transition



Overview of the process of selling

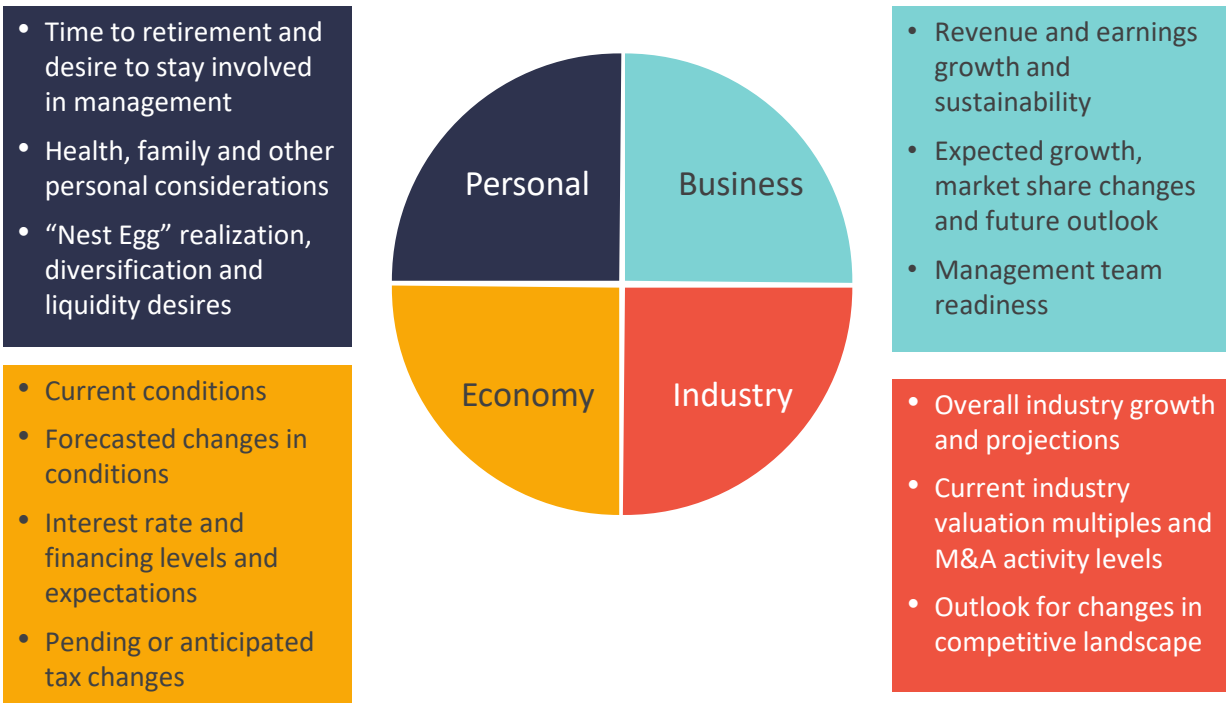
Not only about transaction price

Engaging and retaining your team

Managing expectations and working to integrate with the new owners



Timing Considerations – When to Go to Market



Reviewing various factors is critical to determining appropriate “go to market” timing



Transaction Process

~6-8 months

Preparation & Positioning

1 - 2 months

Buyer Approach & Marketing

2 months

Initial Indications

Buyer Meetings & Due Diligence

1 - 2 months

Final Bids

Negotiations and Documentation

2 months

Close

- Develop credible forecast and management plan
- Effectively position the Company in a concise offering document (commonly known as a “CIM”)
- Develop buyer list and determine approach/strategy for buyers
- Complete Quality of Earnings (“QOE”) study
- Approach buyers and provide information after NDAs are executed
- Potential buyers evaluate materials and ask questions
- Begin to create virtual data room (VDR) for due diligence
- Receive non-binding Indications of Interest (IOI)
- Each IOI should state a valuation range and sources of funding
- Select buyers to proceed to next stage
- Conduct management presentations and host site visits for buyers in next round
- Provide access to VDR and distribute draft of Definitive Agreement
- Respond to diligence requests
- Receive final offers and Definitive Agreement markups
- Select buyer(s) for final negotiation and diligence
- Buyer completes confirmatory due diligence
- Establish final and binding terms via negotiations, and execute Definitive Agreement
- Complete necessary regulatory filings (HSR, other)
- Complete transaction

KEYS TO SUCCESS

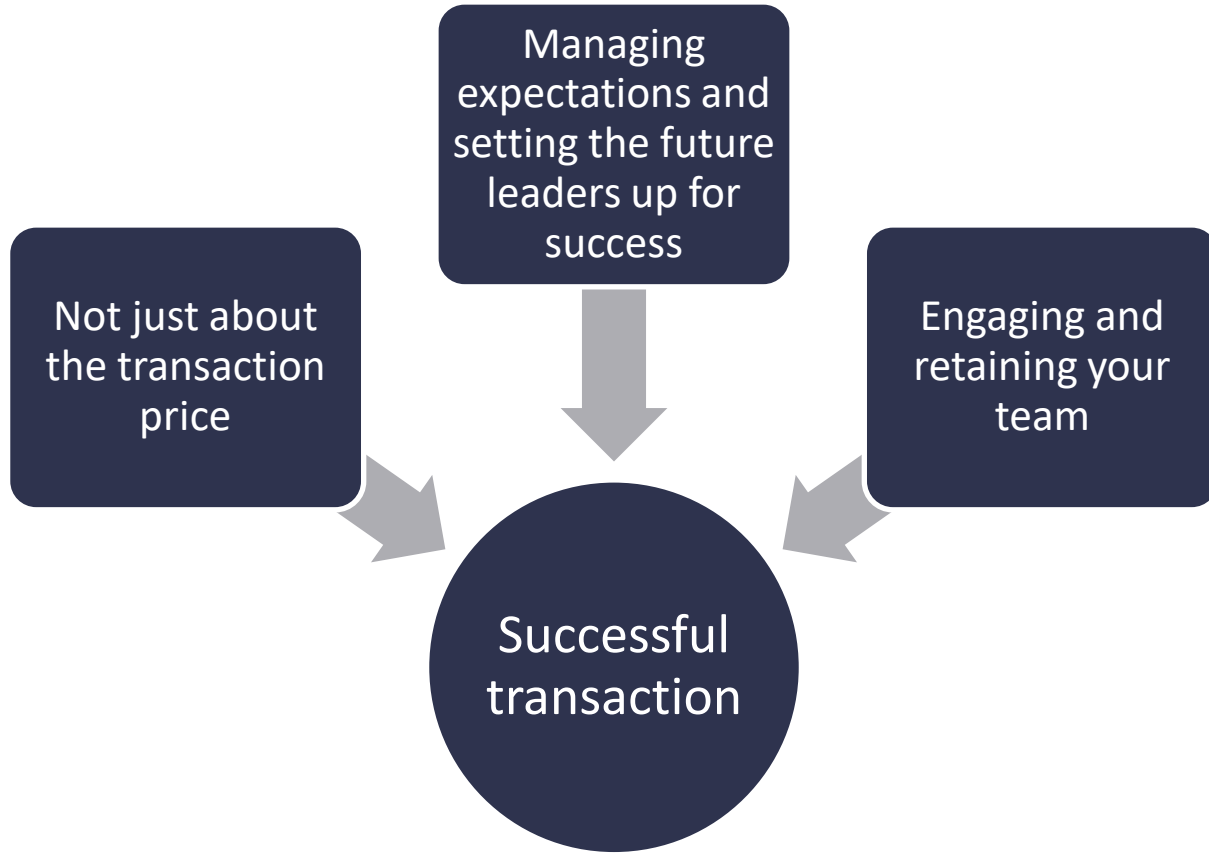
- 1 IDENTIFY ALL SHAREHOLDER OBJECTIVES
- 2 FORMULATE PROCESS STRATEGY THAT REFLECTS KEY SHAREHOLDER OBJECTIVES
- 3 PREPARE MARKETING MATERIALS THAT REFLECT THE COMPANY’S COMPELLING “STORY”
- 4 IDENTIFY THE APPROPRIATE BUYER UNIVERSE
- 5 DESIGN PROCESS WITH COMPETITIVE TENSION TO ENHANCE VALUATION AND TERMS
- 6 CONTROL ALL ASPECTS OF THE PROCESS TO MAINTAIN OUR NEGOTIATING LEVERAGE AND ADVANTAGE



Common Approaches to Marketing a Business

	Narrow Process	Limited Market Process	Broad Process
Approach	<ul style="list-style-type: none"> • Pre-emptive negotiations after establishing timeline, price, and key terms • Must have high degree of certainty in buyer 	<ul style="list-style-type: none"> • Work with select parties to identify value early on in the process • Natural opportunity for more in-depth early discussions 	<ul style="list-style-type: none"> • Traditional full auction process • Potential for staggered approach • Key objective is to consider all available options
Number of Parties	<ul style="list-style-type: none"> • One or two buyers with strong strategic interest 	<ul style="list-style-type: none"> • 2-50 parties in total, strategic buyers and private equity groups 	<ul style="list-style-type: none"> • 50+, including large universe of strategic buyers and private equity groups
Pros	<ul style="list-style-type: none"> • Usually less time to close • Limits information in the market and market noise • Less of management's time • Preserve ability to approach the broader market 	<ul style="list-style-type: none"> • Establish "market" for valuation • Buyer discipline and focus • Timing and price sustainability • "Back pocket" buyers should they be needed 	<ul style="list-style-type: none"> • True market test of value • Greatest chance of finding outliers • Strategics and financial buyers fully involved
Cons	<ul style="list-style-type: none"> • More difficult to maintain negotiating leverage • Binary transaction issues may emerge • May miss less obvious buyers that could pay a premium 	<ul style="list-style-type: none"> • May miss outliers • More of management's time up front 	<ul style="list-style-type: none"> • Greatest amount of time and management resource • Highest likelihood of "market noise" • Stigma of "broken process" if not successful





CLA Owner Legacy Services – Business Owner Lifecycle Stages



Polling Question

Would you like CLA to reach out to you to discuss how we can support and add value to you and your business?

- Yes – please reach out
- Not at this time, but I'll keep you in mind



Thank you!

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