Getting Yourself Ready to Buy or to Sell
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Over the past three years, Cray Kaiser has continued to assist clients on the buy-side and sell-side of their transactions, even amidst the challenges of COVID-19.

As key advisors to these transactions, we observed some best practices in getting your team ready to buy or sell.

On the Buying Front

Whether you have acquired a business over the tenure of your company or are looking to expand your footprint, there are nuances to buying a business and readying yourself for the process.

- Review your own internal HR and financial reporting policies and procedures. Your ability to absorb another financial operation and its people will be a challenge. Having sound policies and procedures in place will enable you to implement your procedures with the target entity and obtain results sooner post-close.
- Review your loan agreements and have conversations with your bank to ensure you have the lending capacity. With new debt, new financial covenants may be created with additional debt extended to you. Your bank may need to participate in reviewing the target's financial statements and may have its own due diligence procedures.
- Leverage your legal advisors to assist you in this process. They should be involved in any of the legal agreements, from non-disclosure to the purchase agreements and through the closing date. Trying to navigate these agreements solo could lead to a misunderstanding with the target entity and more legal review later in the process.
- Engage your outside accounting professionals in this process. While you can divide and conquer the due diligence procedures, having your CPA assist with specific tasks will allow you to stay focused on the operations and people aspects of the acquisition. The CPA can provide you with objective analytics of the deal and ensure you are optimizing your cash flow (pre and post-tax).
- Create a timeline for your internal team and external advisors to create reasonable expectations on your side, which will enhance the communication and experience of the target entity's team as well.
- View the letter of intent (LOI) as the framework of the 'deal.' While these are non-binding agreements, it does set the 'sail' for how you see the target. If you cannot get past agreeing on the LOI objectives, it's likely the target is not a good fit for your company's financial and operational culture.

On the Selling Front

Selling your company may be the single largest transaction of your career. You've created a legacy for your clients and employees and will be leaving them in the hands of your buyer. So, preparing for this event may take longer than you think.

- Get your financial house in order. You may need to consider increasing the financial attestation services with your outside CPA. If your outside CPA is only preparing your annual tax returns, you may need to engage them to perform a financial review or audit. A buyer looks to your financial statements as the start of any conversation. Seeing that your financial statements have been reviewed or audited enhances the buyer's ability to rely on the financial statements, reducing due diligence procedures and may even shorten the timeline to close.

- Know WHERE you do business. Your brand and facilities may be in one location however you may sell your services or products throughout the United States. Have your CPA review the state nexus issues to ensure you are compliant with all state tax reporting. With the Supreme Court decision in the *Wayfair* case in June 2018, how each state views how you do business within their borders may have changed since you last reviewed the requirements. (https://www.supremecourt.gov/opinions/17pdf/17-494_j4el.pdf)
- Review your lease agreements to better understand the timing requirements of communicating with your landlord or other lease arrangements. These agreements may need to be transferred or terminated and there may be costs associated with doing so.
- Create job descriptions for each level of your team. People are one of the most important assets associated with a company's value. The buyer is looking to determine your team's tenure, expertise, and integration into their team.
- Involve your legal advisors as early in the process as possible. Dinner conversations are one thing, but starting to share your financial statements with a potential buyer is another.
- Leverage your CPA to assist you in determining your after-tax cash flow of the sale of the business. Not all transactions are treated the same for tax purposes. The allocation of the purchase price will determine your after-tax cash flow. Having these computations done early in the process will allow you to communicate your expectations to the buyer.
- Prepare to negotiate how and when you receive your cash. You might get a full cash deal at closing, or you may have the opportunity to receive more cash (earn out) after the closing.
- Share this opportunity with your executive team sooner than later. The potential sale may create concern and they may require significantly more time to assist in the transaction. Keeping the process confined to the executive team will require a level of confidentiality and trust. Select your internal team wisely.

Whether you are looking to expand your footprint or sell to the right synergetic buyer, these best practices can help you prepare for the process and keep you on track throughout what is bound to be an emotional transaction (for either side!). Should you have any questions or need assistance in your process, Cray Kaiser is here to help.