

## **Steps to a Successful Food Industry Business Sale or Acquisition**

### *Use an Effective Process*

Selling or acquiring a food industry business is unique and can be complicated. You and your independent food industry business sale & acquisition consultant should use a straightforward process that will avoid delays and pitfalls and make the transaction successful for everyone.

Start with the preliminary discussions between the seller and buyer that can be facilitated by an experienced food industry business sale & acquisition consultant. Take the time to understand and clarify the desires, life choices and financial specifics that relate to both the reasons for the potential sale or purchase and the post-sale goals for both sides.

Schedule interviews between or with the business owner and the potential buyer to identify all discovery, document, and acquisition requirements. This information helps the buyer quickly produce a Letter of Intent (LOI) that should be more acceptable to the seller. The buyer typically needs certain documents, business facts and financials to be able to put together a complete and more accurate LOI. An experienced independent food industry business sale & acquisition consultant can help both sides more easily come to agreements and acceptable terms. Once a LOI is presented the seller and consultant can discuss and debate the merits and terms. If acceptable move on to LOI signatures.

Next both sides enter into the due diligence stage for further verification and validation of corporate earnings records and other business, customer and supplier accounting details. Once the due diligence is completed to the satisfaction of buyer and seller then both sign off on this step.

You can now produce the Asset Purchase Agreement (APA) or the Sale and Purchase Agreement (SPA) with the help of your business sale consultant. Attorneys for both sides should review the APA or SPA before signatures on these documents.

Set a business sale closing date. Prior to the close date, both sides will work together to forecast purchasing, routing and customer service needs during the defined post-close period. On closing, the buyer purchases the business inventory at a confirmed landed cost, the seller collects Accounts Receivable (AR) in conjunction and with the coordination of the buyer. The

seller typically collects AR first. Also on closing, the seller collects all pre-close AR over the post-close 30 to 60 days. Seller pays off all inventory and service providers out of the existing cash position. This must be carefully coordinated so not to create any negative perception of the buyer as the new business owner.

### *Confidentially Matters*

Privacy and confidentiality are critical during the entire business sale or acquisition process. Only the seller, the buyer and the business sale & acquisition consultant should be involved in conversations and communications. Any critical email addresses which may be seen by others should not be used. A weekly status meeting should also be scheduled when the acquisition effort starts in earnest. That will make sure both sides stay tightly focused and move toward the close date quickly.

### *Handling Employment Agreements*

Many times, new employment agreements may be wanted for key staff. These agreements should not be part of the food industry business sale price negotiations. Any employment agreements should be treated as a separate subject and is handled individually. An experienced food industry consultant can help with these.

### *What to Expect for Final Business Sale Fees?*

An experienced food industry business sale & acquisition consultant will collect a monthly retainer, as part of the total success fee, to pursue all possible buyers. This success fee is deducted from the sale success fee proceeds at business sale closing.

### *Knowing the Deal is Done Right*

If you use the above sale and acquisition process, one customized for a food industry business; develop an effective LOI, APA and SPA; create a financial transition plan; and handle key staff employment agreements; you'll know you got the deal done right.

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