

Selling Your Pet Care Business to a Corporate M&A Buyer



NATIONAL
KENNEL SALES
& APPRAISALS



NATIONAL
KENNEL SALES
& APPRAISALS

Contents

Section 1: Process Overview	4
Section 2: Presentation to Closing	6
Section 3: The Value of Representation by an M&A Advisor	8

Process Overview

Whether you are considering selling the pet care business that you’ve built and nurtured, or you have been approached by a corporate, strategic buyer who wants to execute what’s referred to in the industry as a “Mergers & Acquisitions” (M&A) transaction, the sale can be very lucrative. And, because these tend to be cash transactions, the financing hurdle faced by private buyers is not an issue, which means the sale can take place much more quickly. Plus, becoming part of a larger organization means potentially greater upward mobility for your staff.

But, M&A buyers have high standards for the properties they acquire. If a facility doesn’t meet well-defined financial and operational criteria, no offer will be made. This e-book provides an overview of the M&A process and how we can help you understand if your business is a candidate for this type of transaction, and how a Certified M&A Professional can protect and represent your best interest.

Understanding the M&A Process

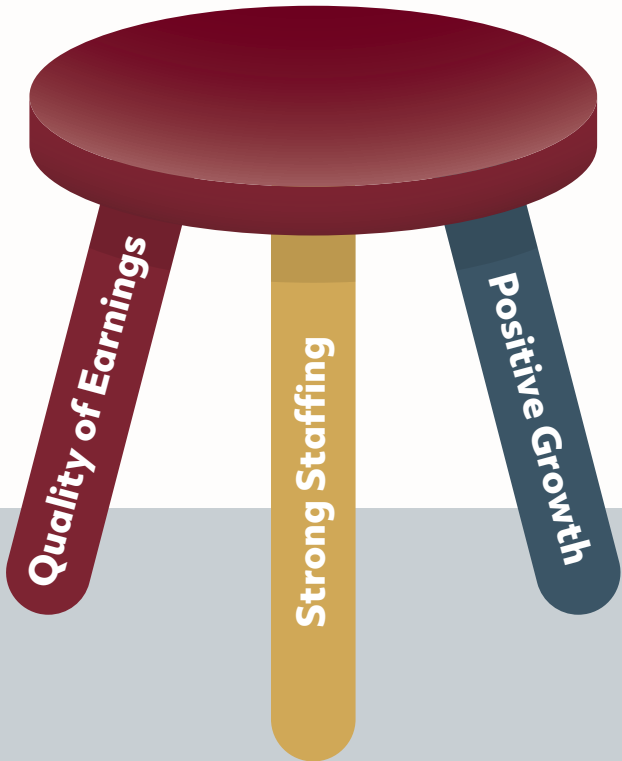
If you decide to engage with an M&A buyer, you should become familiar with their perspective on acquiring pet care facilities. Unlike a private buyer who may allow their feelings or instincts to play a role in their decision making, corporate acquirers choose to purchase—or not to purchase—a business based solely on its Cash Flow, Return on Investment (ROI) and how the facility fits into their overall business plan.

Three Key Purchase Considerations for M&A Buyers

What do M&A buyers look for in the ideal pet care business acquisition? Primarily, three things:

- 1. Quality of earnings in *desirable* revenue sources (boarding, daycare, etc.)
- 2. General Manager and strong staff
- 3. Positive revenue growth year-over-year

We sometimes refer to this as the three-legged stool of a sale. If any one of the three legs is insufficient, the deal will fall over.



An M&A buyer will perform an in-depth analysis of your revenue streams. Not only do they look at the total revenue number (which typically must exceed \$1 million annually), they will want to know how your revenue breaks down across types of services—boarding, grooming, etc. Each buyer has their own expectations regarding the amount and type of revenue a facility brings in. Additionally, most important is **EBITDA**. If you don’t know what EBITDA is, it’s time to call us and learn about your EBITDA and if it qualifies for an M&A transaction.

Staffing is the next leg. A buyer will want to know:

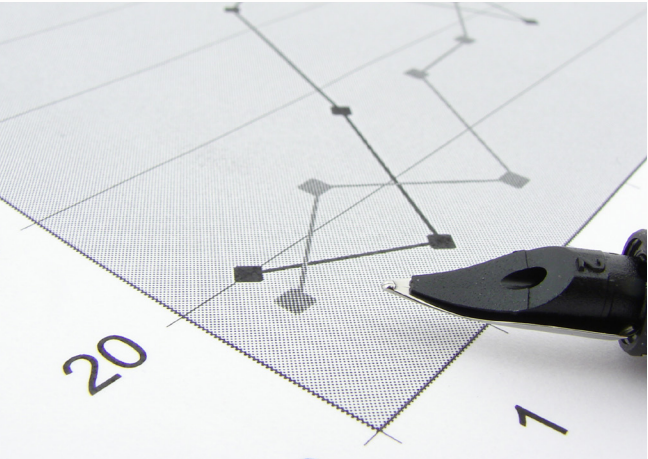
- How important are you to the business? How much time do you spend on day-to-day operations?
- Do you have a General Manager and can they operate the business without you?
- How many staff are in leadership positions? What is their skill level?
- How likely are current staff members to stay if the business is sold?

Businesses that have a General Manager and a committed team of employees who operate without significant oversight from the owner are most appealing to corporate acquirers. Businesses that rely heavily on the owner are less desirable since the departure of the owner may cause instability with clientele and affect revenues. The less involved you are, the more appealing your business is!

The growth story of the business represents the final leg. M&A buyers look for businesses that demonstrate consistent year-over-year revenue growth (preferably double-digit growth), and that will likely continue to grow upon acquisition. The growth story also needs to be supported by the competitive landscape and the demographics of the market the business services. Operations where revenues have plateaued or are declining will probably not attract offers.

Be aware: M&A buyers may talk about having a position for you in their organization, but those discussions don’t always result in an employment offer after the sale.

Dealing with only one buyer will lower the price you obtain. Competition among buyers drives up your profit!



After evaluating these key purchase considerations, an M&A buyer will decide whether to make an offer. Then, your decision on whether to accept, decline or negotiate will drive what happens next.

Next Steps

Are you ready to reap the benefits of all the hard work you’ve put into building your pet care business? If so, we’re ready to assist you! You deserve to have *skilled, professional, licensed and accredited representation* that will **ensure you get the most value** for your business. We are the only brokerage that focuses exclusively on pet care facility transactions and have the credentials and experience to represent you in a transaction with a more sophisticated corporate buyer.

Contact us today at **877.690.3647** or **teija@nationalkennelsales.com** and let’s start crafting the strategy that will *secure the highest obtainable sales price* and ensure the best outcome for your staff and clients.

Keep reading for more information in our M&A Series, “Selling Your Pet Care Business to an M&A Buyer: Presentation to Closing,” which lists and describes the steps involved in the sales process.

Important

Potential buyers may push to work with you directly to “save you” from paying commissions. However, our track record proves that we negotiate better terms for our clients than sellers dealing directly with corporate buyers. It is *never in your best interest* to negotiate directly, *unrepresented*, with a prospect very experienced in dealing with small business owners unfamiliar with the process or market conditions.

Presentation to Closing

The process of selling your pet care business to a corporate M&A buyer follows a defined set of steps. If you have not sold a business before, it can be stressful. However, by learning about the process before you begin, you can both decrease your stress and increase your ability to provide insights that will help us skillfully guide you through a fast, efficient and seamless transaction.

Comprehensive Services: Guiding You from Query to Closing

As a *strong advocate for your wants and needs*, National Kennel Sales & Appraisals provides query-to-closing assistance with your transaction. We:



Prepare a representation agreement. If you decide to work with us, we prepare an agreement that clearly outlines our duties to you as your certified M&A representative and agent.

Send a 'Teaser.' This one-page non-identifying flyer includes enticing information about your facility (revenue, staffing, property, etc.) without indicating the name or specific location of your business. This Teaser is sent out to our database of corporate buyers who in turn express their interest in receiving more information by signing a Non-Disclosure Agreement.

Distribute a Confidential Information Memorandum (CIM). A CIM is a detailed document that starts by emphasizing the confidential and private nature of the information it contains, and then provides specifics about your operation—from history to in-depth financials to staffing, competition, real estate holdings and more. We send a CIM tailored to each interested M&A buyer's mindset whose needs align with your offering.

Create competition and solicit a Letter of Intent (LOI). Potential acquirers have a set number of days to submit a LOI and become part of the group of possible purchasers. You may hear the term auction associated with an M&A transaction. This approach, *which involves encouraging offers from multiple qualified buyers*, helps ensure you receive the *best possible price for your business*. Competition drives up price!

Negotiate offers. As potential corporate buyers express interest, we negotiate with them to draw out the maximum price and best terms for you. You then choose which offer, if any, you want to accept. You are under no obligation to accept the highest bid. You select the offer that is most appealing to you based on the terms and the cultural fit between the company and your business.

Coordinate due diligence. This is the *most sensitive and crucial stage* of the transaction. We collect all documents from you ahead of time, resolve any issues we anticipate based on our experience *before* a buyer is secured and then

represent you during this period. We answer questions, provide insights and suggest remedies if deal killing concerns are raised. Due to our experience with more than 100 transactions, we excel at problem resolution!

Stakeholder COG. We work closely with the buyer and serve as the cog between attorneys, CPAs, escrow and buyer-side financial analysts, fielding questions and providing additional information or clarification as needed.

Resolve problems. We handle any issues that arise and remove any roadblocks between you and a successful closing.

Assist with closing. We attend the closing with you to address any last-minute questions or issues that may come up and help ensure that you fully understand all the documents you are signing and that all closing items are completed to prevent post-closing issues.

Assist with transition. After the transaction is completed, we work with you and the buyer to facilitate a seamless transition.

Share advice on outreach. Announcing the sale to staff, clients and your community can be a very emotional process. From our work with many sellers, we can provide insights and PR materials on how best to have these important conversations and how to publicize (or not) the sale.



Throughout the sales process, our skilled guidance allows you to continue attending to your business and your future plans, confident that we've got your back. A typical M&A transaction can be completed in approximately 60-90 days, depending on whether or not real estate is involved.



Looking Ahead

Sellers often ask whether the buyer will keep existing staff, and also whether they will maintain the seller's high standards for pet care. While every situation is unique, the truth is that taking excellent care of your employees, customers and their pets is the right thing to do both from a moral and business perspective. There are tremendous incentives for a corporate acquirer to hire your staff and be a good steward of the business you built.

Next Steps

Are you ready for all the hard work you've put into building your pet care business to pay off? If so, our team of dealmakers is ready to provide the skilled, certified representation that will ensure you get the highest obtainable price for your facility. We are the only brokerage that focuses exclusively on pet care business transactions.

Contact us today at **877.690.3647** or **teija@nationalkennelsales.com** and let's talk about how to maximize your rewards and ensure the best outcome for you, your staff and clients. **Initial conversations are fully confidential with no obligation of engaging us.**

Keep reading for more information in our M&A Series, "Selling Your Pet Care Business to an M&A Buyer: The Value of Representation by an M&A Advisor," which explains why it's important to work with a team that is experienced in pet care facility sales transactions.

The Value of Representation by an M&A Advisor

Selling your pet care business may be one of the most important financial decisions you ever make. Because of the high expectations and sophistication of corporate M&A buyers, the depth of the research required to prove that your business meets their requirements and the amount of interaction with the buyer's financial analysts, lawyers, CPAs and other team members, it's to your advantage to work with a certified M&A Professional who is an expert in this field and who represents you in the complex process. Don't be the underdog in this fight!

Proper representation makes the sales process easier for you and helps ensure that you get the highest obtainable price for your business. And, our services are free of charge until the sale is completed. In some cases, the *final fee can be minimal*, which we'll explain during our no cost, no obligation, listing analysis process.

National Kennel Sales & Appraisals runs a proven strategy that streamlines and simplifies M&A transactions. And, we maintain strict confidentiality throughout the process, so your staff and community will only learn about the sale when you are ready to inform them. We understand the importance of discretion in these transactions, and ensure it is maintained through blind marketing, buyer pre-screening and legally binding non-disclosure agreements.

Comprehensive Services: Guiding You from Query to Closing

Our services include firm but fair representation that provides tremendous value, including:

Positioning. We help you prepare your business for sale, putting it in the best possible light to create a high degree of interest and keen sense of competition among potential buyers. This includes everything from suggestions on how to modify/update the physical environment of your facility to how to describe it in words and images.

Preparing the listing. We handle everything involved with creating a CIM using our intrinsic knowledge of the buying box of M&A buyers. Then we help maximize the listing's exposure to generate a sense of competition.

Securing a qualified Buyer. Taking advantage of our relationships and understanding of the corporate buyers in the pet care industry, we secure a buyer whose requirements are aligned with your offering.

Handling all negotiations. Dealing with a corporate buyer can be intimidating if you have not had previous experience in M&A sales. We

thrive on negotiations and getting *you the best deal at the best terms*.

Coordinating due diligence activities. M&A buyers insist that sellers and their properties be fully vetted before a transaction can proceed. We take care of every step in this process, including communication with lawyers, CPAs, surveyors, inspectors, escrow and other professionals involved.

Providing effective remedies to potential deal-breakers. Every business has an Achilles heel or two. We are highly skilled at uncovering these issues and providing solutions so they don't impede the progress of the transaction. We are proactive in minimizing any deal killing issues. And due to our experience with more than 100 transactions, we know deal killers when we see them!

Coordinating physical tours. We do much more than just show off the physical attributes of your facilities. We manage site visits in a way that emphasizes your business' best attributes and minimizes weaknesses. We serve as a buffer between you and the buyer to eliminate trick questions and traps that are set.

Structuring the transaction to minimize your tax burden. How you allocate the proceeds



from an M&A transaction can have a significant impact on the taxes you owe. We engage an M&A tax strategist to help you take advantage of every legal method for minimizing your obligations to Uncle Sam.

Ensuring you receive the highest price for your business. We have a proven process for maximizing the yield from the sale of your business. We research comparable sales data from other brokers and it *substantiates this fact*.

The Power of the Auction Format

Sellers will sometimes ask why they shouldn't just negotiate with one buyer rather than using the auction format that we practice. The simple answer is that *you will never obtain the highest price for your business without the competitive pressure that drives up value*.

The potential buyers we contact on your behalf understand that there will be others involved. Consequently, if they like what they see in your business, they act quickly and bring solid, upper range offers to the table.

Work with the Industry Leader

As the pioneer and leader in pet care business sales, we've completed transactions of all sizes,

from those involving small kennels to huge multi-service resort businesses priced in the millions of dollars. If you're serious about selling your business, we're happy to connect you with former owners who have achieved tremendous success and financial reward with our representation.

As for our fees, we understand that you want to execute your sales transaction as cost-effectively as possible. Our rates and process for collecting our fee ensure that you can do that. We don't charge a fee until your transaction is completed, and the amount of our fee is based on the sales price that we help you achieve. Plus, at times, the buyer subsidizes our fees, thus minimizing your cost.

Next Steps

If based on what you've learned about M&A transactions you feel you are ready to sell your business and it is likely to meet a synergetic buyer's criteria, we're ready to assist you. Contact us today at **877.690.3647** or **teija@nationalkennelsales.com** and let's craft a strategy for getting the most value for your business while ensuring a great outcome for everyone involved.

