



Navigating through a transaction; what's the ETA?

Despite the current economic conditions, the channel has demonstrated genuine resilience and the level of transaction activity remains strong. At Knight we have been closing deals throughout lockdown, but analysis on our latest deals does show that the time taken to complete a process has been affected.

Transactions typically involve a large amount of work up-front, both for us and the company involved, therefore it only makes sense to start a process if we are confident of completing it. We can spend up to four months preparing a business for sale however, we can actually move far more quickly than this but often recommend a dry-run due diligence which will check the business is sufficiently ready to make it through the intensity of a transaction. Knight Vendor Assist flags potential deal issues up-front to ensure that these can be mitigated ahead of time and significantly reduces the due diligence timetable later on. Alongside this, we prepare the sales or investor documentation that will enable interested parties to make a well-informed formal offer to invest in or acquire a business.

When we start the marketing process, we agree the parties to approach with our clients. We do not work for buyers, but we know their acquisition criteria and the level of funding they are able to draw down and this enables us to qualify the right target buyers for each business. Typically, we can extract written offers within six weeks but have found this is extended where international buyers are involved. Private Equity deals will add a further month as they will want to meet management and understand the potential of the team and the business moving forward.

The execution of a deal involves due diligence and legal documentation. This part will take no less than 10 weeks but lately we have seen that deals take an average of four months to complete. We believe that the impact of COVID has not dampened the enthusiasm of investors or acquirers, but they do want to ensure they are mitigating their risks. As a result, we are seeing more time in diligence which is also becoming more extensive.

On average, our last 10 deals each took 7.5 months to complete and we estimate this has been extended by around a month compared to deals a few years ago. Our workload shows that the process is split by; 22% preparation, 26% in marketing and 52% executing the agreed deal.

Ultimately, preparation will have the greatest impact on the time take complete a deal. We expect that the minimum time to complete a deal with a full marketing process is six months but recommend that you plan for nine months. A well-prepared business will ensure your deal runs smoothly and reduces the time and effort spent in diligence. It is never too early to start planning and at Knight we are here to assist when you need us.