



# Selling Your Agribusiness: What to Expect

A Market Maker Agriculture resource

# Selling Your Agribusiness: What to Expect

## Answers to your questions about selling your agribusiness

Owning and running a business is a lot about anticipating what's next. You're constantly looking ahead. There's always another decision to make. And at some point the question becomes, "What's next... for me?"

**"At Market Maker Agriculture, we buy strong, well-run agribusinesses with potential to perform and grow over the long term."**

If you're at that stage, you might be thinking about selling your agribusiness. Maybe you're ready to reap the value of the success you've built. Maybe you see opportunities for new owners with new resources to take the business to the next level.

Whatever your reasons, one of the best advantages you can give yourself is **preparation**. Selling a business is exciting and challenging. It takes time and patience. Through each step of the process, it pays to be **informed, practical and supported by expert advisors** you can trust.

At Market Maker Agriculture, we buy strong, well-run agribusinesses with potential to perform and grow over the long term. We created this tool to help owners like you understand what's involved in selling a business — and what it's like to work with us.

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Selling Your Agribusiness: What to Expect

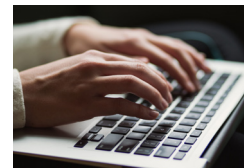
### What's inside



How do I know if I'm ready to sell?



What is my business really worth?



How do I prepare my business for sale?



What does the sale process involve?



What will the buyer look at?



How can I help the process succeed?



What happens after I sell my business?

Terms to Know  
EBITDA  
Free cash flow  
Gross margin  
LOI/EOI  
Sustainable CAPEX  
Working capital

# How do I know if I'm ready to sell?

Selling a business you've built and grown is often more than just a **transaction**. It can mark a **life change**, one that has an impact on your employees, your customers, your family and your community. Many owners want to be confident they're leaving behind a **legacy** they can be proud of.

For all these reasons, it's important to be clear about your personal priorities going into the process. One of our measures of success at Market Maker Agriculture is that if we buy your business, you're happy when the transaction is done. That's about more than just the sale price: it's about how the deal fits with your personal goals.

## Ask yourself

By the time you read a resource like this, you've probably already been thinking about selling for a while. Asking yourself a few key questions can help you be confident you're **prepared to take the next step**.

- Am I ready to hand the business over to someone else?
- Do I want to sell the whole business or just a part?
- Do I want a role in the business after I sell?
- What do I see myself doing after I sell?
- How does the sale factor into my personal financial goals?
- What do I want for my employees after I sell?
- What do I want for my customers after I sell?
- What will the sale mean for my family?
- Do I have expert advisors to help me through the process?
- To me, a successful sale would look like...



Find the full worksheet for this section on page 22.

Notes

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## Choosing a buyer that's right for you

As you work with your advisor to identify potential buyers for your business, it's important to know which type fits best with your goals, priorities and expectations.

### Market Maker Agriculture

is what you might call a 'strategic financial buyer'. We acquire established agribusinesses that complement our portfolio of companies and work to make them even stronger over the long term.

While some financial buyers 'buy and flip' businesses, retooling them and then selling them to achieve specific returns, we only ever buy for the long term. Our goal is to **preserve and build on what makes a business great** in the first place and make it stronger over time.

Because of that, we care about your post-sale goals and vision. If you want to stay on in an active role after you sell and earn income from future growth, we're open to it. If your aim is to transition and move on to something new, that works for us, too. Our commitment is to the **success of the business for years to come.**

**"We only ever buy for the long term — no short-term flips."**



### Common buyer types

#### Financial buyers

Financial buyers acquire solid, well-managed businesses they can evolve and enhance to be more profitable and attractive to future investors — without taking on responsibility for day-to-day operations.

#### Strategic buyers

Strategic buyers acquire companies to augment their existing products, services or customer bases, or to expand into new regions. They have operational experience and tend to buy for the long term.

#### Competitors

Competitors are a type of strategic buyer. They often buy businesses to consolidate their market share, and tend to be most interested in acquiring relationships with customers, vendors, suppliers and partners.

# What is my business really worth?

Agreeing on the value of a business is one of the most sensitive parts of the sale process. As an owner, you know the strengths of your company and what you've put into it over the years. **Buyers will have their own criteria** for valuation — and often no two buyers' views will be totally alike.

That means there can sometimes be surprising differences between the price you'd like to set for your business and what a buyer may offer, especially in the beginning. If the gap isn't too wide, buyers and sellers are usually able to settle on a mutually agreeable number.



**“Buyers will have their own criteria for valuation.”**

## Valuation tips

1

### Know your number.

Work with an experienced investment advisor or other third party to calculate an objective value for your business. This will give you confidence you're starting from a realistic and sound position for discussions with buyers.

2

### Understand your value.

Asset-intensive businesses are usually priced according to the sum total of all their assets. In real estate, income is often the basis of value — how much rent a property generates. In other cases, cash flow is what determines the value. That's the approach we take at Market Maker Agriculture.

3

### Don't take it personally.

Prospective buyers will base an offer on the value your business represents according to *their* needs and goals. It's purely practical, and not a comment on your leadership or how successful your company has been.

5



## What's the difference between valuation and deal structure?

Valuation is a methodology for arriving at the purchase price for a business. The deal itself will have other components beyond price, including the buyer's role and percentage of ownership, indemnification, post-closing obligations and more.

At Market Maker Agriculture, we base our valuations on a company's **cash flow** and assume that all assets needed to generate that cash flow are included. We always buy a **majority stake** in the agribusinesses we acquire. We don't buy cash, shares or redundant assets (assets that aren't needed to generate cash flow).



## Key terms and concepts related to valuing your agribusiness

### EBITDA

No single metric can determine the full value of a business, but earnings before interest, taxes, depreciation and amortization (EBITDA) is a quick way to ballpark profitability after the main liabilities are accounted for.

### GROSS MARGIN

Business owners with relatively simple bookkeeping practices often have an incomplete understanding of the input costs that affect their profitability. Gross margin is a rigorous, technical way of determining all the direct costs that are required to produce a company's goods or services.

### WORKING CAPITAL

This is the difference between your current assets (cash, accounts receivable, unpaid bills, inventory) and your current liabilities (accounts payable and debts). The working capital calculation shows a business has enough cash and cash equivalents to meet its short-term obligations.

### FREE CASH FLOW

Free cash flow is what's left over after all expenses have been paid to run the company. It can be reinvested in the business, used to reduce long-term debt or be distributed to shareholders. Consistent cash flow is key to financial health, and buyers will want to understand any potential risks to it.

### CASH FLOW SEASONALITY

Many agribusiness cash flows rise and fall throughout the year. This can often require relying on an operating line of credit, which adds business risk. Being part of a portfolio like ours at Market Maker Agriculture reduces that risk because seasonal cash needs are balanced out across the companies.

### SUSTAINABLE CAPEX

Sometimes also called 'sustaining CAPEX' or 'maintenance CAPEX', this refers to the amount of money your business spends each year on its existing assets to maintain current operations.

## Big picture, long term

Some investors focus purely on numbers and returns when they value a company, often ‘buying and flipping’ for short-term gain instead of planning a long future for the business in question.

At Market Maker Agriculture, we look at the **whole picture**: how your company operates, its relationships and its people. We buy agribusinesses that are **built to last** — that complement our portfolio and have the potential for many more decades of success.

We want to understand what you hope to get out of the sale so that we can proceed fairly, with the **goal of mutual success**. If there’s a gap that’s not too wide between what you think your business is worth and the value we calculate, we’ll work to find flexible ways to close it. And if we can’t give you what you want, we’ll let you know straight up.



At the end of the day, **we respect that selling your business is a big decision** and you’re entitled to choose the buyer who’s right for you. Our promise is that we’ll be upfront, collaborative and transparent, and that our goal is a long, successful future for the business you’ve built after you’re gone.

“We buy agribusinesses that are built to last.”

### What we look for

- 1. A seasonal cash profile** that fits with our portfolio. Across our companies, we make sure seasonal ebbs and flows are balanced out so that the whole is stronger than the sum of its parts.
- 2. Strong margins**, including well-defined and complete calculations of gross margin.
- 3. Stable income and recurring revenue** that can be expected to continue and grow — supported by good relationships with customers, suppliers and employees. We also want to see a strong employee team that can keep the business going — and a healthy market. We buy great agribusinesses, not great ideas, which is why we don’t value companies based on futures.

# How do I prepare my business for sale?

Preparing a business for sale is a lot about **buttoning down finances and operations**, but it's also about **making the business understandable** to a potential buyer. There are hundreds of things you know as an owner that are invisible to someone outside the company.

For example, you may have a gut feeling about when it's time to buy more inventory, or an intuitive sense of when your margins need a boost. For a buyer, all of that needs to be **captured as data and backed up with facts**. This can take a lot of work, but it's worth it in the end. Trying to sell your business as-is could lead to it being undervalued, drag out due diligence, or even compromise a potential sale.



## Where do you make your money?

It might seem like an obvious question, but the truth is many owners are often surprised by the answer when they dig into a detailed analysis of their business. Doing that analysis before you engage in the sale process puts you in a confident position to work with a potential buyer.



At **Market Maker Agriculture**, we recommend creating what we call a 'business map': a chart or spreadsheet that looks at each of your products or customers and details the steps involved in making, selling and delivering your goods or services. This includes every input cost (raw materials, labour, freight, etc.), every touchpoint and process step, and why and how customers are buying from you.

The more detail you can document, the more accurately you will understand your gross margin for each product, service or customer. It also helps you — and us — identify any potential risks, revealing anywhere things can or do sometimes go wrong and how to mitigate those hazards.



## Readiness check

### FINANCES

- **Implement an accounting package that includes inventory.** Have a basic accounting system in place appropriate to the scale of your business (e.g., Microsoft Dynamics, Sage, NetSuite, QuickBooks).
- **Calculate your gross margin for every product or service you sell.** This gives you a true picture of your costs and where you generate the most money.
- **Close your books monthly.** Many businesses close their books once a year, at year-end. This can leave information gaps, especially for seasonal businesses.
- **Gather a minimum of three years of records.** This should include profit-and-loss statements and balance sheets. Again, monthly is ideal. Also have a provable calculation of your annual sustaining CAPEX and a list of your current capital assets (at both book value and fair market value).
- **Sell off any redundant assets.** These are assets that aren't core to your business and might not be included in the sale. Selling them off first gives you cash in hand.
- **Prepare budgets and forecasts.** Provide a forecast for the end of your current fiscal year as well as the year following, articulating your assumptions about the future and what they mean financially.

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### TEAM

- **Consider hiring a qualified financial controller.** This critical role is often missing in many smaller agribusinesses but really helps the due diligence process go more smoothly. A qualified senior controller's job is to ensure financial discipline and manage financial systems, and should be separate from the person who handles your books and year-end filings to avoid risk of fraud. If you don't have someone like this in place, our approach at Market Maker Agriculture is to hire for the role at closing.
- **Make sure all functions are covered.** Identify the key employees in your business, what they do and how long they've worked for you. Note any gaps — functions that will need to be covered off for the business to keep running after you sell. Ensure all employees know their jobs well and the processes to keep the business going.
- **Have a complete, up-to-date employee list and payroll register.** Complete records ensure seamless continuity for the business through a sale. As you review your lists, try to gauge who would want to stay and who might want to leave after you sell. See page 14 for more on when to discuss your intention to sell with employees.

## Readiness check

### CUSTOMERS, VENDORS, PARTNERS, SUPPLIERS

- **Ensure your customers and partners relate to the business – not just you.** An owner-operator can often be the face of the business and holder of key relationships. Those personal connections can add risk to a sale, so transition them to people on your team who will be in place after you sell to avoid unnecessary concern.
- **Have a clear and detailed picture of your customers and partners.** Know exactly how many customers you have, where they're located, which are most loyal, and which are responsible for the highest year-over-year sales or costs (i.e., who is most valuable) for the past three years.
- **Diversify if you need to.** If you have just a few high-value customers, vendors, partners or suppliers, evaluate how strong each relationship truly is, and expand your base if you can.

### STRATEGY AND OPERATIONS

- **Have a succession plan.** This is not just about having someone in line to take over your role: it's about knowing how every aspect of the business will be covered off — including business decision-making — once you're no longer there.
- **Identify the key activities required for your business to sustain its income.** Be specific and comprehensive.
- **Define your competitive strategy.** This will be important to share with prospective buyers: how you differentiate and win market share.
- **Know your most valuable products and services.** Be clear about why they're valuable and how you determine that value. Identify any future opportunities for growth.
- **Document everything.** Have complete information on all aspects of your business from your locations to current inventory levels.

### CORPORATE AND LEGAL

- **Have a complete set of all corporate and legal documents.** These include contracts and purchase agreements, patents, trademarks, copyrights, URLs, certificates, operating permits and anything else pertinent to the business.
- **Make sure your corporate policies are complete and up to date.** This applies to everything from HR and health and safety to regulatory and environmental compliance.

### SHAREHOLDERS

- **If your company has multiple shareholders, be sure they all want to sell.** Even if the buyer is purchasing assets and not shares, all shareholders must be on board with the decision to sell.



# What does the sale process involve?

Every buyer's approach is bound to be a little different, but the general flow is fairly standard.

The typical starting point is a **qualification** step to confirm there's a fit between your business and the buyer's needs. If there is, you'll sign an agreement to proceed — usually called an **indication of interest** or **letter of intent**. That's followed by **due diligence**, when the buyer gets under the hood and examines the nuts and bolts of how your business works. If all goes well through that stage, you'll **formalize and close a deal**.

The final steps are **onboarding** and **integration**. These are critically important, ensuring the transition of ownership and control goes smoothly. From experience, we know the change needs careful management to minimize disruption, and we work closely with you to ensure that's the case.

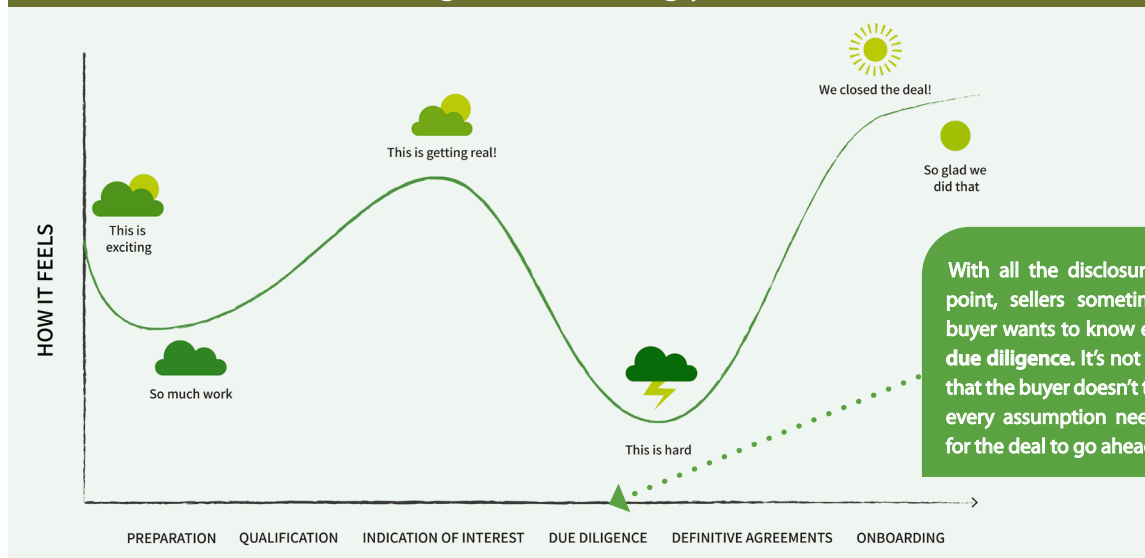
From start to finish, the sale process usually takes about six to nine months, though the actual timeline depends on how well you've prepared your business and the quality of information you're able to provide.

Having a good understanding of what's involved always helps make the journey go smoother.



“At times, the process can feel like an endurance test because while you're focused on the sale you still also have to run the business.”

## The winding road to selling your business



THE "EXPECT" PHASE

Setting and clarifying expectations

1

Qualification

Once you're confident your business is ready for market, potential buyers will sign **non-disclosure agreements (NDAs)** with you to review your finances, business performance and market position at a high level.

If your company meets the buyer's criteria, they'll do some calculations to arrive at an **initial valuation** — purchase price that you will see in the Indication of Interest.

2

Indication of Interest

This step involves signing a short (usually two-page) **non-binding offer** from an interested buyer.

That offer may be called an **indication of interest (IOI)**, an **expression of interest (EOI)** or a **letter of intent (LOI)**.

It will include the **initial valuation** and **key deal terms** such as transaction structure, employee matters, closing balance sheet items, approvals and timing.

Notes

Notes section with horizontal lines for writing.

### THE "INSPECT" PHASE

Testing expectations against the facts

3

#### Due Diligence

**If you haven't done so already, this is when you should tell your key people about the sale.**

The buyer will want to consult them while looking more closely at the business to validate the information you've shared and test their own assumptions. Based on what they find, they may adjust their valuation or deal terms or choose to abandon the purchase.

With all the disclosures made up to this point, sellers sometimes wonder why a buyer wants to know even more as part of due diligence. It's not personal and it's not that the buyer doesn't trust you: it's just that every assumption needs to be confirmed for the deal to go ahead with confidence.

4

#### Definitive Agreements

If the buyer decides to go ahead, they will create a set of **definitive agreements**. These reflect anything and everything pertinent that's been discussed throughout the sale process: executive agreements, confirmations of executive agreements, valuation adjustment, earn-outs, hiring for key roles (controller, general manager), etc.

These are substantial legal documents that include the purchase agreement as well as any escrow, commercial or other agreements, and will require a lawyer's review.

At this stage, you'll begin to work with the buyer to create an **onboarding and integration plan**.

The better prepared your business is, the faster these steps will go.

"Every assumption needs to be confirmed for the deal to go ahead with confidence."

Notes

Lined area for taking notes.



# What will the buyer look at?

As you engage with a potential buyer through the sale process, they will have many questions about your business, its finances and operations. At Market Maker Agriculture, we aim to be as comprehensive as we can be, seeing the business from every possible angle. Because we manage our portfolio on behalf of our investors, we have a fiduciary responsibility to go deep and validate everything.



## Here's an overview of the types of things we'll want to know.



### Purpose

Why does your business exist? What is its mission — and why is that mission important?



### Focus

What are your core business activities? What industry segment and economic sector do you operate in?



### Customers

How many do you have, how loyal are they — and how do they contribute to profitability? Where are relationships strongest? Where are they weakest — and why?



### Opportunity

What is your current share of the market(s) you serve? Who are your competitors? Where are your best opportunities for future growth?



### Suppliers

How strong are your supplier relationships? How dependent are you on any one supplier? Do you have redundancy for times when the supply chain gets tight?



### Performance

What are your 'business vital signs' — profitability, cash flow, working capital, annual sustaining capital, etc.? What risks does the business face, and what keeps you up at night?



### Workplace

How do employees experience your business? How committed are they? What are your company values? What's your management style? How do you handle matters such as health and safety?



### Organization

How is your business structured? What are your key systems and processes? What technologies do you use? What assets are necessary to keep your business running?



### Vision

What do you want for the business in the future?



## Ask yourself

Here are some prompts to help you prepare to answer a prospective buyer's questions:

- How would I explain my business in 30 words or less?
- What makes my business successful?
- What does my business map look like (i.e., can I chart out where the business makes its money)?
- Why do customers keep coming back?
- Why do people like working in my business?
- What tool or system has made the business more efficient — and how?
- Where do I see the business in five to 10 years?
- If I had a magic wand, what's one thing I would change about my business right now?



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**Find the full worksheet for  
this section on page 23.**

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# How can I help the process succeed?

**Selling your business can be an intense experience.** Often, you're meeting a potential buyer for the first time. There's a **'getting to know you'** phase that involves learning how you each communicate and what you each expect to get out of the process. **Transparency, clarity and trust** are key.

At **Market Maker Agriculture**, we approach the process as if we're part of **one team** with the seller, working toward a **common goal**. We're always happy to explain why we need to know something or require a certain step.



**"We approach the process as a team working toward a common goal."**

## Three keys to a smooth sale

1

### Be honest

Some sellers feel like they need to tell buyers what they want to hear. But the unvarnished truth is always best. It allows the buyer to make better-informed decisions about what the business may or may not need to succeed after the sale goes through. Every surprise is a risk.

2

### Ask questions

The better you understand each part of the process and what's being asked of you, the better able you are to respond or do what's needed. Even when a buyer thinks they've explained the process clearly, there can be a lot to absorb. So if something ever isn't clear, don't hesitate to ask what and why.

3

### Be patient

There are no quick transactions or handshake deals when it comes to selling your agribusiness. Diligence is crucial. That's why the process can take half a year or longer. It's good to think of the sale as a marathon, not a sprint.

# What happens after I sell?

Closing the deal on the sale of your agribusiness is *almost* the final step of the process, but it's not the end.

Onboarding and integration — all the activities involved in transferring control of your agribusiness to the buyer — is actually the most critical time in the entire transaction. That's why **Market Maker Agriculture** has a dedicated team that works closely with you to ensure everything goes smoothly, with minimal disruption to employees, customers, partners and suppliers.

## Transition steps

Legally, as part of the transaction, we close out the original company and incorporate a new one as part of our portfolio, with the **same company name and branding** of your original business. Your employees become employees of the new company, and the new entity looks and feels just like the company you built.

Like most buyers, we'll want you and your expertise **on hand for a specified period of time** to support the transfer of control. If you've chosen to stay on beyond that transition period, you'll move into the agreed-upon role in the new business. If you've decided to go on to other things, you'll have no further obligations and can pursue the next chapter of your life.

## Strengthening the business together

Once the sale is fully done, we remain strategic participants in the business to help make it even stronger over time.

We establish a cooperative, trusting, two-way relationship with the company's management team to make full use of the tools and structures implemented during onboarding and integration, including a new **governance model** and **board of directors** to oversee the business, and new **reporting routines**.



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**“Onboarding and integration is the most critical time in the entire transaction.”**

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Going forward, we seek every opportunity to:

- Share **best practices** to help the business perform to its fullest potential
- Work with the ongoing leadership team to identify and **reduce business risks, strengthen the balance sheet and create a growth strategy** for the long term
- **Leverage synergies** with the other companies in our portfolio

You can trust we'll be here working to ensure your business **continues to thrive and grow** as part of our diversified and balanced agribusiness portfolio. We understand your **legacy** has many aspects: it's about your personal reputation, your employees and community. **Our goal is to maintain that legacy for decades to come.**



“Our goal is to maintain your legacy for decades to come.”

### Let's start the conversation

We hope this content has been useful in helping you orient to the process of selling your business. If based on what you've seen here you're ready to take the next step — **let's connect.**

Contact: Lisa Courtney Lloyd  
VP Business Development  
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# Market Maker Agriculture

## Acquiring agribusinesses for the long term

Market Maker Agriculture buys established agribusinesses with seasonal cash flows, solid customer relationships, strong teams and proven records of success to complement our diversified and growing portfolio.

### We make great businesses even better

We know what it takes to build a thriving agribusiness. Our goal is to preserve what's outstanding about each company we acquire — and augment that with strategic and financial expertise for ongoing profitability, performance and incremental growth over time. Owners who sell to us know their legacies are in good hands, with well-supported teams in place to guide their business into the future.

### We aim for lasting success

Our Market Maker Agriculture portfolio is designed and managed for stability and endurance. We only buy companies that we can shepherd for years to come, never for quick gains and fast turnarounds. Our expert team brings the strategic and financial know-how to achieve sustained business results, working closely with each company's operational leadership team.

### What we look for in a company

- Seasonal cash flow
- \$1M to \$4M EBITDA\*
- Stable income and strong margins
- Loyal, established customer base
- Operations in the USA or Canada

*\*Earnings before interest, taxes, depreciation and amortization*

### How we structure our deals

#### Transaction type:

Asset and operations purchase

#### Valuation:

Typically a multiple of cash flow

#### Ownership:

Controlling interest of 80% or more

### We acquire companies across the full agribusiness supply chain



#### Inputs

Agrichemical, nutrient, seed, farm equipment, animal feed operations



#### Specialty Production

Specialty crop operations where the grower has an established market



#### Processing

Cleaning, processing, manufacturing, packaging companies



#### Distribution

Distribution, storage, warehousing, wholesaling and brokering operations



#### Services

Agritourism, insurance, financing and inspection firms

Learn more at [www.marketmakerag.com](http://www.marketmakerag.com) or contact us today

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# Worksheet: How do I know if I am ready to sell?

## Ask yourself

Am I ready to hand the business over to someone else?

What do I want for my employees after I sell?

Do I want to sell the whole business or just a part?

What do I want for my customers after I sell?

Do I want a role in the business after I sell?

What will the sale mean for my family?

What do I see myself doing after I sell?

Do I have expert advisors to help me through the process?

How does the sale factor into my personal financial goals?

To me, a successful sale would look like...

# Worksheet: What will the buyer look at?

## Ask yourself

How would I explain my business in 30 words or less?

Why do people like working in my business?

What makes my business successful?

What tool or system has made the business more efficient — and how?

What does my business map look like (i.e., can I chart out where the business makes its money)?

Where do I see the business in five to 10 years?

Why do customers keep coming back?

If I had a magic wand, what's one thing I would change about my business right now?