



Seeking to Acquire? A Look at the Process

Any time a member calls the Business Technology Association (BTA) and asks us to recommend a consultant to assist with either the acquisition or sale of a dealership, we refer him (or her) to Jim Kahrs, president of Prosperity Plus Management Consulting, a longtime member and supporter of BTA. I have known Jim for many years and was happy to cross paths with him once again at the recent FP Mailing Solutions 2025 National Dealer Summit, held Feb. 12-14 in Las Vegas, Nevada. (You can read my coverage of that meeting on page 29 in this issue.)



At the summit, Jim presented one of the educational sessions, "Growth Through Acquisition." In his session, Jim discussed strategies for growth, both organically and through acquisitions. Below are some of the high-level highlights/comments from the portion of Jim's presentation where he walked through the acquisition process. I believe they will be of interest if you are considering an acquisition.

■ **Identify Targets:** "It's a great drill to do — even if you are not necessarily looking to acquire tomorrow — to really understand: Who are your competitors? Who are the companies in the contiguous territories? Learn as much as you can about them; identify which would be the potential targets."

■ **Develop Relationships:** "Play the long game. The way you start the long game is you go out and develop relationships. I know that they might be competitors, but say, 'I want to get together and have lunch one day' ... You say: 'I would love to continue to grow my company through acquisitions. I realize this is probably not the right time for you, but I would like to at least have a conversation so that if and when you're ready, we can talk.'"

■ **Engage When Ready:** "Keep that relationship ... so that when they do get ready, you'll be able to lead ... You'd be surprised how often [the dealer building the relationship with an acquisition in mind] winds up being the only potential buyer the company [target] talks to."

■ **Determine Value:** "There are a lot of folks out there who have absolutely no realistic idea of what their companies are worth, but they have a number in mind ... It's usually a lot higher [than it's worth] ... The only way to bring it down to earth, typically, is with the numbers [pulled from the data provided by the target company, revealing the profitability, etc.]."

■ **Letter of Intent:** "Once you come up with that value, the next step in the process is a ... letter of intent, which is a non-binding document that will outline the basic terms. What's the purchase price? How is it going to be paid? What does it include? What does it not include? What's going to happen with the staff, the owners and the facility?"

■ **Due Diligence:** "Once you have agreement on the letter of intent, the next step is you have to go through due diligence ... here you ... go in and really dig into the details. You get to see many more details that back up the financials, the contracts; you can turn over every stone you want to turn over to make sure there isn't something hiding that's going to come back and haunt you later."

Of course, space only allows me to share a very brief look at the process. There is much more to it, including the creation of a purchase agreement and the ancillary documents that go with it, following satisfactory due diligence. However, perhaps Jim's comments will give you at least a sense of the scope of the process if your first acquisition is on the horizon. ■

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FLASHBACK



The association's magazine cover 47 years ago this month — the NMDA Spokesman, March 1978.