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Sell-Side M&A Process: Stages and Timing for Buyers

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The process in one picture

A banker-run sale is a sequence of gates. At each one the seller's adviser releases more information to fewer buyers, and asks each remaining buyer for a firmer commitment in return. Seen from the buyer's chair, the useful question at every gate is the same: what do I receive, what must I give back, and what is still in my control?

The stage names below are conventional practice, not law. Small sales, owner-run sales and processes with one favoured buyer compress or merge stages.

#	Stage	What the buyer receives	What the buyer gives back	What narrows
1	Teaser	A short, often anonymised summary	Interest, and a signed NDA to proceed	Buyers self-select on sector, size, geography
2	NDA and CIM	The confidential information memorandum, sometimes a model	Nothing binding beyond the NDA	Buyers screen against their own criteria
3	IOI round	A process letter with bid instructions	A non-binding indication of interest, usually a range	Seller picks a shortlist
4	Management meetings	Access to the owner or management team, a data room	Questions, site visits, a refined view	Buyers drop or sharpen their bid
5	LOI	A draft or mark-up request on key terms	A letter of intent, often with exclusivity	Seller picks one buyer
6	Confirmatory diligence	Full data room, third-party reports	Diligence costs, financing work	Price and terms are re-tested
7	Definitive agreement	The purchase agreement and schedules	Signed commitment, subject to conditions	Risk allocation is fixed
8	Closing	Ownership	The purchase price	Regulatory and financing conditions clear

In an intermediated deal the process letter names most of these gates and dates; in a negotiated sale the same gates appear without a published calendar.

Stages 1-2: teaser, NDA and CIM

The teaser is a one- or two-page summary designed to get the right buyers to sign a non-disclosure agreement. It usually withholds the company's name and gives a description of the business, headline financials and the reason for the sale. Read it for three things: whether the business falls inside your mandate, which financial metric the seller chose to headline (revenue, EBITDA, adjusted EBITDA, seller's discretionary earnings), and what period the figures cover. A teaser that headlines an adjusted metric for a trailing period ending mid-year is telling you where the negotiation over earnings will start.

The NDA is the first document with legal effect. Beyond confidentiality, read the provisions that shape later behaviour: non-solicitation of employees, bans on contacting customers, suppliers or staff without the adviser's consent, and the term. A non-contact clause bites hardest on a buyer that already knows the sector. Have counsel review it, and log what you knew before signing so pre-existing knowledge is not later argued to be confidential information.

The CIM is the seller's case for the business. The glossary entry on the confidential information memorandum covers its usual contents. From the buyer's chair, the CIM is a document to be screened, not believed. A practical first pass takes under an hour and answers five questions:

1. **Mandate fit.** Does the business clear your size, sector, geography and ownership criteria on the evidence in the CIM, not on the adviser's framing?
2. **Earnings definition.** Which adjustments bridge reported earnings to the headline figure, and how large are they relative to that figure?
3. **Concentration.** What share of revenue comes from the top customers, suppliers or channels, and is it disclosed by name, rank or not at all?
4. **People.** How much of the selling, pricing and operating knowledge sits with the owner?
5. **Absent sections.** What would you expect in a CIM for this business that is not there?

Write the answers down before the IOI; comparing them with diligence findings calibrates future screens.

Stage 3: the IOI round

The process letter sets the deadline and format for indications of interest, commonly asking for a valuation range and its basis, structure, financing sources, key diligence requirements, approvals and time to close. The IOI is normally non-binding; for the seller it ranks buyers on price, certainty and speed before much information is exchanged.

The buyer's main decision at this stage is how wide the range should be. Too wide and the adviser reads it as a lack of conviction; too narrow and the buyer has anchored on a CIM it has not tested. Two habits help:

- **State the earnings base.** "A range of X to Y, based on adjusted EBITDA as presented in the CIM, subject to diligence of the adjustments" is more useful to both sides than a bare range.

- **Name the conditions that would move you.** If the range assumes a minority rollover by the owner, or a working capital level, or that a key contract renews, say so. Unstated assumptions become re-trades later, and advisers remember re-trades.

A search funder relying on a lender, or an independent sponsor raising equity deal by deal, should describe the financing path plainly: certainty of closing is weighed alongside price.

Stages 4-5: management meetings and LOI

Shortlisted buyers meet management and start limited diligence, often in a virtual data room. Treat the meeting as a diligence interview, not a sales call: a written question list ordered by valuation impact, with owner-dependence and customer questions asked of more than one person.

The adviser then asks for letters of intent, which restate price and structure in more detail and add procedural terms:

LOI provision	Usually binding?	What the buyer should check
Price and structure	No, in most drafting	Earnings base, rollover, seller note, earn-out, working capital assumption
Exclusivity (no-shop)	Usually yes	Length, extension triggers, what ends it early
Confidentiality	Usually yes, often by reference to the NDA	Whether the NDA term covers the exclusivity period
Expenses	Usually yes	Who bears costs if the deal fails, and on which triggers
Governing law	Usually yes	Consistency with the expected purchase agreement
Conditions	No	Financing, diligence, third-party consents, approvals

"Usually" in the table describes drafting practice, not a legal rule. Whether a particular letter creates enforceable obligations depends on its language and governing law, and deal counsel should draft and review it.

Exclusivity changes the process: the seller gives up competitive tension for a period, and the buyer's credibility depends on closing on the terms it offered. A buyer that lowers price during exclusivity without a diligence finding it can point to is spending credibility it may need in the next process run by the same adviser.

Stages 6-8: diligence, definitive agreement, closing

Confirmatory diligence tests the LOI price: typically a quality-of-earnings review, legal diligence on contracts, employment, real estate and litigation, and sector-specific checks. Link every workstream to an LOI assumption; a finding that cannot change price, structure or a contract term is lower priority.

The definitive agreement turns the LOI into allocated risk. Representations and warranties, indemnification, escrows or insurance, purchase price adjustments and closing conditions are negotiated here. Some deals sign and close simultaneously; others sign first and close once conditions such as approvals, consents or financing are met.

Regulatory approvals can put a gap between signing and closing. Under the Hart-Scott-Rodino Act, transactions above size thresholds must be notified to the FTC and the Department of Justice before closing. The FTC explains that these filing thresholds are updated annually and that, once both parties file, they "must wait 30 days (15 days in the case of a cash tender offer or a bankruptcy)" before closing unless early termination is granted; a request for additional information extends the wait (FTC). For thresholds effective February 17, 2026, the FTC lists the base size-of-transaction threshold at $133.9 million and the level above which size-of-person tests no longer apply at $535.5 million (FTC current thresholds). Many lower-middle-market acquisitions fall below the first figure; add-ons for a large platform may not. Whether a filing is required in a specific deal is a question for antitrust counsel, not a table.

An illustrative timeline

The timeline below is fictional: "Harlow Fastening Supply" does not exist, and the week counts are planning assumptions for a modest adviser-run sale, not measured averages. No public dataset of lower-middle-market process durations was found; replace them with your process letter's dates.

Week (illustrative)	Seller side	Buyer side
0	Adviser sends teaser to a buyer list	Mandate check on teaser; NDA review
1-2	NDAs signed, CIM released	CIM screen; first model; financing conversations
5	IOI deadline	IOI submitted with stated earnings base and assumptions
6-9	Shortlist; management meetings; partial data room	Management meeting; targeted diligence on top risks
10	LOI deadline	LOI with exclusivity, expense and timing terms
11-20	Exclusivity; full data room	QoE, legal, insurance and financing diligence
18-21	Purchase agreement negotiation	Mark-ups; disclosure schedules; financing commitments
21-22	Signing and, if no approvals are needed, closing	Funds flow; closing deliverables

The buyer's workload concentrates in weeks 1 to 5 and 11 to 20. An HSR filing, third-party consent or lender approval adds its own clock after signing: a deal that needs a 30-day waiting period cannot close in week 22 if the parties file in week 21.

How competitive are sales really?

Boone and Mulherin studied 1990s takeovers of public companies using records of the private sale process before public announcement. They found that public bidding was "only the tip of the iceberg" of actual competition, that about half of targets were auctioned among multiple bidders and the rest negotiated with a

single bidder, and that target shareholders gained comparable wealth in auctions and negotiations (Boone and Mulherin, abstract via RePEc; DOI).

That sample is large public targets three decades ago, so the share does not transfer; the structure does: a sale can be competitive without being a public auction.

For financial buyers deciding where to spend time, Gorbenko and Malenko estimated the valuations of strategic and financial bidders from bids in company auctions. They found that a typical target is valued higher by strategic bidders, but that 22.4% of targets in their sample were valued higher by financial bidders, and that these were "mature, poorly performing companies" (Gorbenko and Malenko, abstract via Crossref). The authors read this as different targets appealing to different types of buyer. For a financial buyer, the practical reading is to concentrate on processes where the business profile fits what financial buyers value.

Survey evidence also shows how few opportunities reach the end of the process. In a survey of 79 private equity investors, Gompers, Kaplan and Mukharlyamov report that for every hundred opportunities considered, the average investor deeply investigates fewer than 24, signs an agreement with fewer than 14 and closes on only 6 (Gompers, Kaplan and Mukharlyamov, NBER Working Paper 21133, 2015). Their funnel table (Table 19 in the 2015 working paper, 71 respondents) gives mean shares of opportunities reaching each stage:

Stage (Gompers et al. Table 19)	Mean % of opportunities
All considered opportunities	100.0
Review with partner group / investment committee	61.8
Meet management	52.8
Limited due diligence	49.1
Deep due diligence	23.7
Offer term sheet / negotiate detailed terms	22.5
Sign LOI	13.6
Close	6.1

These are self-reported figures from the openly available 2015 working paper (the 2016 version in the Journal of Financial Economics is closed access and was not compared) and cover all opportunities, not only banker-run processes. For capacity planning the shape matters: about half of what is considered reaches a management meeting and about one in sixteen closes.

What public filings reveal about process

Private-company sales leave almost no public trace of how they were run; public-company sales do. Item 1005(b) of Regulation M-A requires a filing person to "describe any negotiations, transactions or material contacts during the past two years" with the subject company concerning a merger, consolidation, acquisition, tender offer, election of directors or sale of a material amount of assets (17 CFR 229.1005). Schedule 14A, which governs proxy statements, applies it to mergers: Item 14(b)(7), "Past contacts, transactions or

negotiations", calls for the information required by Item 1005(b) for the parties to the transaction (17 CFR 240.14a-101). In practice, merger proxies meet this requirement with a narrative usually headed "Background of the Merger".

A Background section can run for pages but extracts cleanly into a table:

Field	What to record
Process start	Date the board first discussed a sale or engaged an adviser
Contacted parties	Number of strategic and financial parties contacted, as stated
NDAs	Number of parties that signed confidentiality agreements
First-round bids	Number and form of indications received, and the date
Second-round bids	Number of final proposals and the date
Exclusivity	Whether exclusivity was granted, to whom and for how long
Price movement	Each stated price and what the narrative says moved it
Signing	Date of the merger agreement
Days, start to signing	Calculated from the dates above

Ten of these in a sector you cover show how many parties get contacted, how fast rounds move and how often price moves after exclusivity. The limits match Boone and Mulherin's: larger, heavily advised public companies, described from the seller's side. Use them for mechanics, not to benchmark private-deal timing or pricing.

Where proactive buyers differ

The same survey asked investors where their closed deals came from. Almost 36% of closed deals were described as "proactively self-generated", 7.4% as provided by management and 8.6% as coming from the investor's executive network, while 33% were investment-bank generated, 8.6% came from deal brokers and 4.3% from other private equity firms. Asked to summarise, the investors considered almost 48% of their closed deals to be proprietary in some way, and the authors note that they have no way of verifying what "proprietary" means in each answer (Gompers, Kaplan and Mukharlyamov, NBER Working Paper 21133, 2015). They also report that smaller and younger firms tend to source more proprietary deals, consistent with smaller target sizes.

Two things follow. Even proactive sourcers close many deals through intermediaries, so process skill is not optional. And a buyer that knew the company before the teaser arrived enters with fewer CIM-only assumptions. That is a sourcing question, and the trade-offs are set out in intermediated vs proprietary and on proprietary deal flow, which also covers the evidence that cuts against the usual pitch for proprietary deals.

A stage-by-stage buyer checklist

Teaser

- [ ] Mandate fit checked; headline metric, period and adjustments noted

NDA

- [ ] Non-contact, non-solicit and term reviewed by counsel
- [ ] Log of pre-existing knowledge about the company and sector saved

CIM

- [ ] Five-question screen completed: fit, earnings definition, concentration, people, absent sections
- [ ] Open questions ranked by effect on value

IOI

- [ ] Range tied to a named earnings base; structure, financing and assumptions stated

Management meetings

- [ ] Question list ordered by valuation impact
- [ ] Owner-dependence and customer questions asked of more than one person

LOI

- [ ] Exclusivity, expense and confidentiality terms reviewed by counsel
- [ ] Every price assumption written into the letter

Diligence and signing

- [ ] Each workstream mapped to an LOI assumption
- [ ] Regulatory filing need assessed by counsel; waiting period built into the closing date
- [ ] Differences between CIM and diligence findings recorded for the next screen

Docket's Triage, Scout and Audit agents turn a buyer's screening criteria into questions answered from retained, quoted sources, which is the kind of record the CIM screen above relies on.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. https://www.ftc.gov/advice-guidance/competition-guidance/guide-antitrust-laws/mergers/premerger-notification-merger-review-process
2. https://www.ftc.gov/enforcement/premerger-notification-program/current-thresholds
3. https://ideas.repec.org/a/bla/jfinan/v62y2007i2p847-875.html
4. https://doi.org/10.1111/j.1540-6261.2007.01225.x
5. https://doi.org/10.1111/jofi.12194
6. https://www.nber.org/papers/w21133.pdf
7. https://www.law.cornell.edu/cfr/text/17/229.1005

8. https://www.law.cornell.edu/cfr/text/17/240.14a-101

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