

Mergers and Acquisitions:

Lessons learned from 20 plus M&A Transactions in Adventure Travel,
spanning over 25 years.

Presented by Dan Austin

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Learning Objectives

- Learn common “deal” structures.
- Is a sale (or a purchase) right for you?
- Pitfalls to watch out for.
- Taking the emotions out of the “deal”.
- Next steps, where to start?

Quick intro: Who is Dan Austin?

For the last 25 years I have owned and managed the leading adventure travel company Austin Adventures. Over this same 25 years I have bought numerous small outfitters as well as sold my own company three times (only to buy back twice). For the next few minutes, let's have some fun and go through some of the pros and cons of a few of these "deals"

- 4 Major Sales
- 10 Relevant Acquisitions
- 2 Mergers
- Over a Dozen "assists"

The only thing I ask of you is get your questions ready, we will leave plenty of time for Q&A.

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One more thing before we get started, I would like to share a quick glossary of common terms related to M&A.

*** We can and will talk a bit more about each over the next few minutes*

Asset Deal: The acquirer purchases only the assets of the target company (not its shares)

Bottom Line: The “net” income line of the income statement.

CAPEX: Large Capital Expenditures that require new capital.

Capitalization: Term used to describe a company's permanent capital, long term debt and equity.

Cash Flow: Cash that is generated over a period of time by an asset or enterprise.

Confidential Information (CIM): Details of the business, its history, products, management, staffing. Shared with potential buyers.

Due Diligence: The process of an acquisition requiring full disclosure and sharing of all aspects of the business. Typically housed in a digital data room.

Earn out: An arrangement in which sellers may receive additional future payments based on established performance metrics.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization. Often the bases for a multiplier to establish price.

Exclusivity: A contractual requirement that prevents a company from soliciting other deals for a specific period of time.

Goodwill: The excess purchase price over and above the targets net identifiable assets (after fair value adjustments)

LOI: Letter of Intent, Letter signed by both parties indicating general value, terms and timelines. Typically to trigger Due Diligence.

Net Debt: Cash Asset less company debt

NDA: Non-Disclosure Agreement: A simple document executed by all parties agreeing to keep all conversations, shared information and intent, confidential.

Normalized earnings: Economic benefits for nonrecurring, noneconomic or other unusual items to eliminate to facilitate comparisons.

PE, Private Equity Firms: Private equity typically refers to investment funds, generally limited partnerships, that buy and restructure companies.

Stock Deal: The acquirer purchases all the shares of the target company and assumes all assets and Liabilities

Term Sheet: A document which outlines the key terms of a proposed transaction.

VC, Venture Capital Firm: Venture capital is a form of private equity financing that is provided by venture capital firms or funds.

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OK Let's Roll!

Please, please remember the best value to us all will be your questions before we wrap up!



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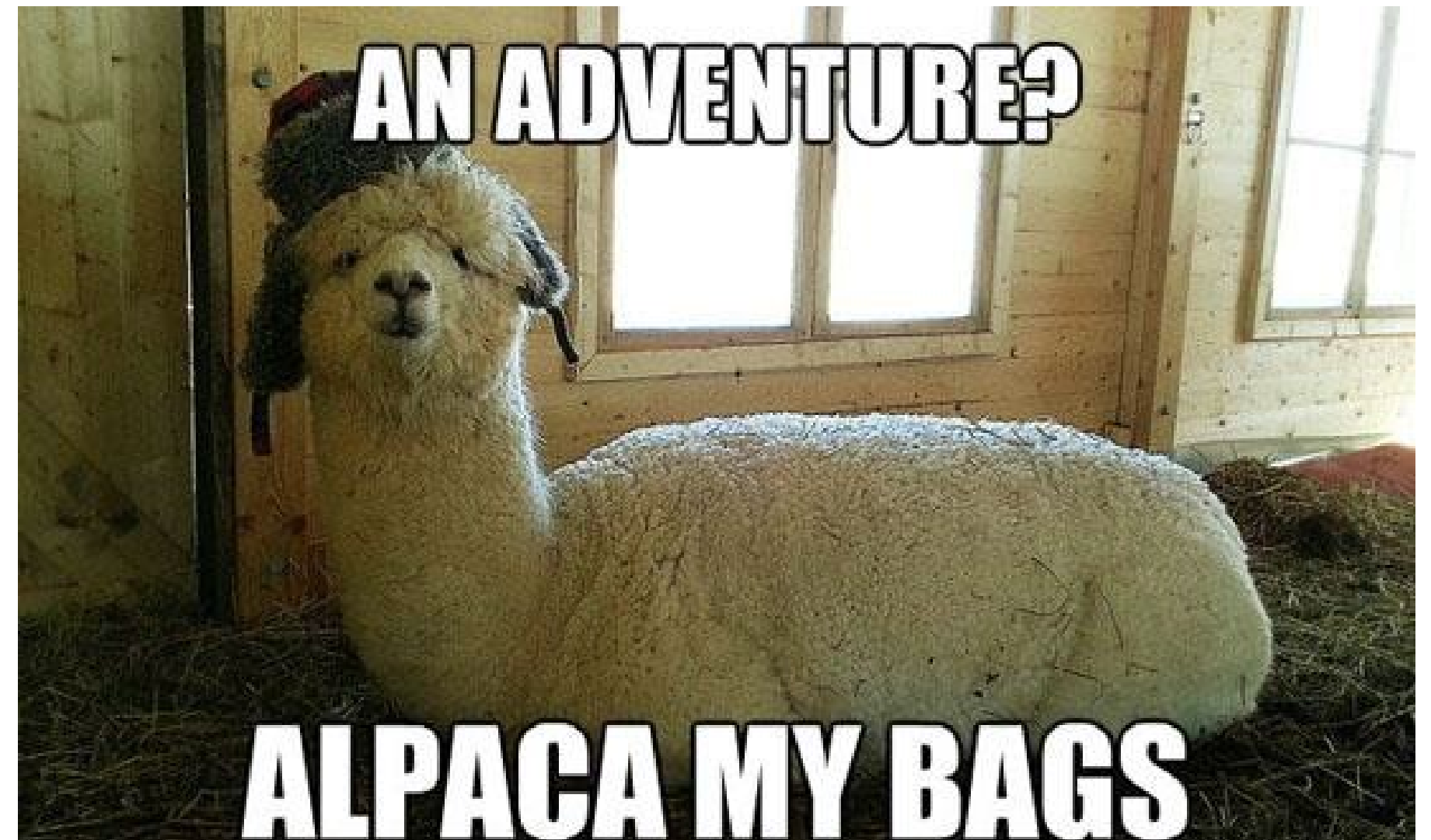
1995 Acquisition of Backcountry Bicycle Tours

- **Structure:** Asset Purchase
- **Terms:** Cash at Closing
- **Timeframe:** 4 months
- **Broker:** Yes
- **Advisor/Mentor:** No
- **How did it start:** Newspaper Ad



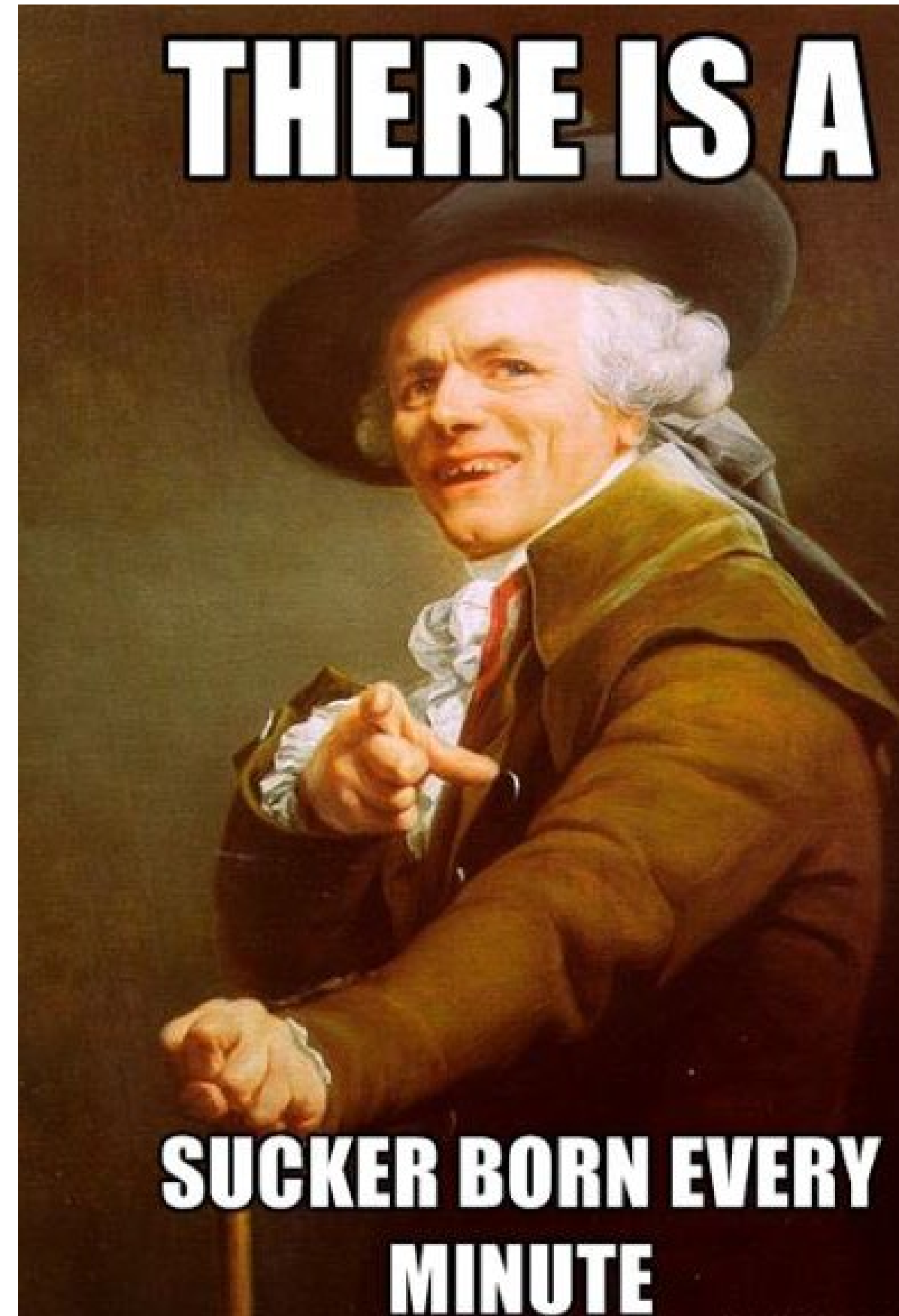
GOOD!

Welcome to the amazing world
of adventure travel.



BAD?

- Allowed sellers to hand over keys and walk out the door.
- Dysfunctional Partnership.



1997 Sold Backcountry to 3 of the 5 partners.

- **Type:** Stock purchase
- **Terms:** Cash/Trips
- **Timeframe:** 30 days``
- **Broker:** No
- **Advisor/Mentor:** No
- **How did it start:** Frustrated with ethics of the partners and needed to walk away



It's not you, it's me
finally realizing you're
terrible for me.



Good!

- Peace of mind generated by walking away from a bad partnership.

Bad!

- Walking away from travel
- No Job!
- Walking away from staff I appreciated.



1997

Founded Adventures Plus

- **Type:** Start up
- **Terms:** Out of pocket cash.
- **Timeframe:** 60 days after selling Backcountry
- **Broker:** No
- **Advisor/Mentor:** No (I wish)
- **How did it start:** Loved adventure travel. Needed a job!



GOOD!

- Back in Travel!
- Responsible for my own destiny.
- No bad partners



Bad?

- Cash Poor
- No Database, No Guests
- No Staff
- Starting 100% from zero

MY PIGGYBANK



BE LIKE

1999 Sold 51% of Adventures Plus to “New” Partner.

- **Type:** Asset Purchase
- **Terms:** Cash at closing
- **Timeframe:** 12 months
- **Broker:** No
- **Advisor/Mentor:** New partner used Deloitte (ouch)
- **How did it start:** Saturday phone call



GOOD!

- Cash infusion
- Access to Consultants
- Access to industry research
- Improved Accounting



LETS ALL TAKE

Bad!

- Minority Ownership
- Lack of cohesive agreement on strategic direction.
- Little alignment of direction and goals.





1999

Purchased Backcountry from old partners

-
- **Type:** Asset purchase
 - **Terms:** Cash (very little) and took over liabilities
 - **Timeframe:** 90 days
 - **Broker:** No
 - **Advisor/Mentor:** No
 - **How did it start:** Conversations with old partners

GOOD!

- Great staff and Guides
- Solid Database of great guests
- Good Foundation
- Ton of Equipment
- Permits
- Good PR



Bad!

- Dealing with Liabilities and Claims
- Reputation Rebuild
- Clean Up on Isle 12
- Negative Cash Flow



2000

**Merged A+ and Backcountry;
Rebranded as Austin-Lehman
Adventures**

-
- **Type:** Rebranding
 - **Terms:** N/A
 - **Timeframe:** 120 days
 - **Broker:** No
 - **Advisor/Mentor:** Deloitte
 - **How did it start:** Consultant advice



GOOD!

- Consolidated two companies and adopted best practices of each.
- Good PR move
- Foundation to Build on



1+1=3

Bad!

- Bad move dropping the Backcountry name.
- Distraction rebranding vs building on a brand.
- Never liked the Austin Lehman name



Backcountry

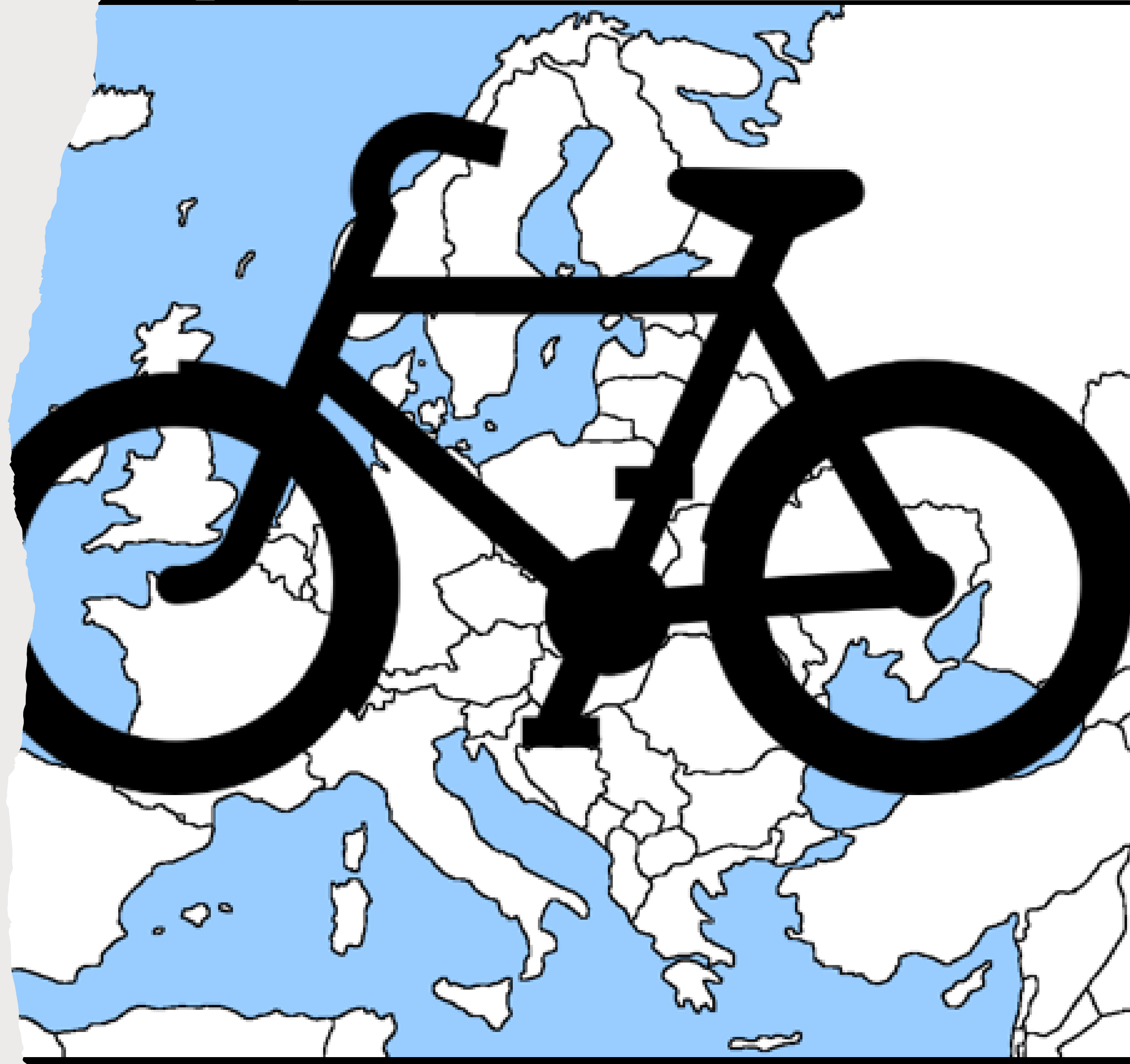
2008: Acquired Euro Bike Tours

- **Type:** Asset Purchase
- **Terms:** Cash at closing, small equity stake in ALA to EBT owner/manager
- **Timeframe:** 12 months
- **Broker:** No
- **Advisor/Mentor:** Deloitte
- **How did it start:** Friendship between EBT owner and ALA owner



GOOD!

- Added Europe as a new destination.
- Gained amazing expertise.
- Kept key management (Ron was and is amazing) and staff (guides)
- Equipment on site in Europe.
- 40 years of itineraries and experience.



Bad!

- Little to no customer overlap
- Changing basic protocols and style of trips to meet common standards



2010:

Dan buys out Partner

- **Type:** Asset Purchase
- **Terms:** Cash and 5 year note
- **Timeframe:** 4 months
- **Broker:** No
- **Advisor/Mentor:** Yes
- **How did it start:**
Conversation over coffee and “no more consultants” comment



**BUYOUT
AGREEMENT**

GOOD!

- 100% Sole proprietor



Bad!

No apparent bad!



2011: Acquisition of CBT Tours

- **Type:** Asset Purchase
- **Terms:** Cash...20K
- **Timeframe:** 60 days
- **Broker:** No
- **Advisor/Mentor:** No
- **How did it start:** Rumors about going out of business



GOOD!

- A few good itineraries
- A few good bikes
- A few good local photos



Bad!

- Die was already cast, out of business.
- No value in database
- No staff



2012: Acquisition of Go South Adventures

- **Type:** Asset Purchase
- **Terms:** Cash & 3 year note + employment incentive
- **Timeframe:** 3 months
- **Broker:** No
- **Advisor/Mentor:** No
- **How did it start:** Conversation at industry event



GOOD!

- Helped a friend
- Increased Latin America expertise
- Added a database of DMC's in South America.



Bad!

- Off site manager
- Poor financials
- Poor record keeping
- Convoluted data base



2013:
Sold Austin-Lehman Adventures

-
- **Type:** Asset Purchase
 - **Terms:** Cash at closing
 - **Timeframe:** 12 months
 - **Broker:** No
 - **Advisor/Mentor:** Yes
 - **How did it start:** Phone call from buyer



GOOD!

- Good pay day
- Less stress
- Amazing support Staff
- Big picture player
- Increased buying power



Bad!

- Sold my soul to corporate America
- Loss of control
- Held accountable



dreamstime

2017

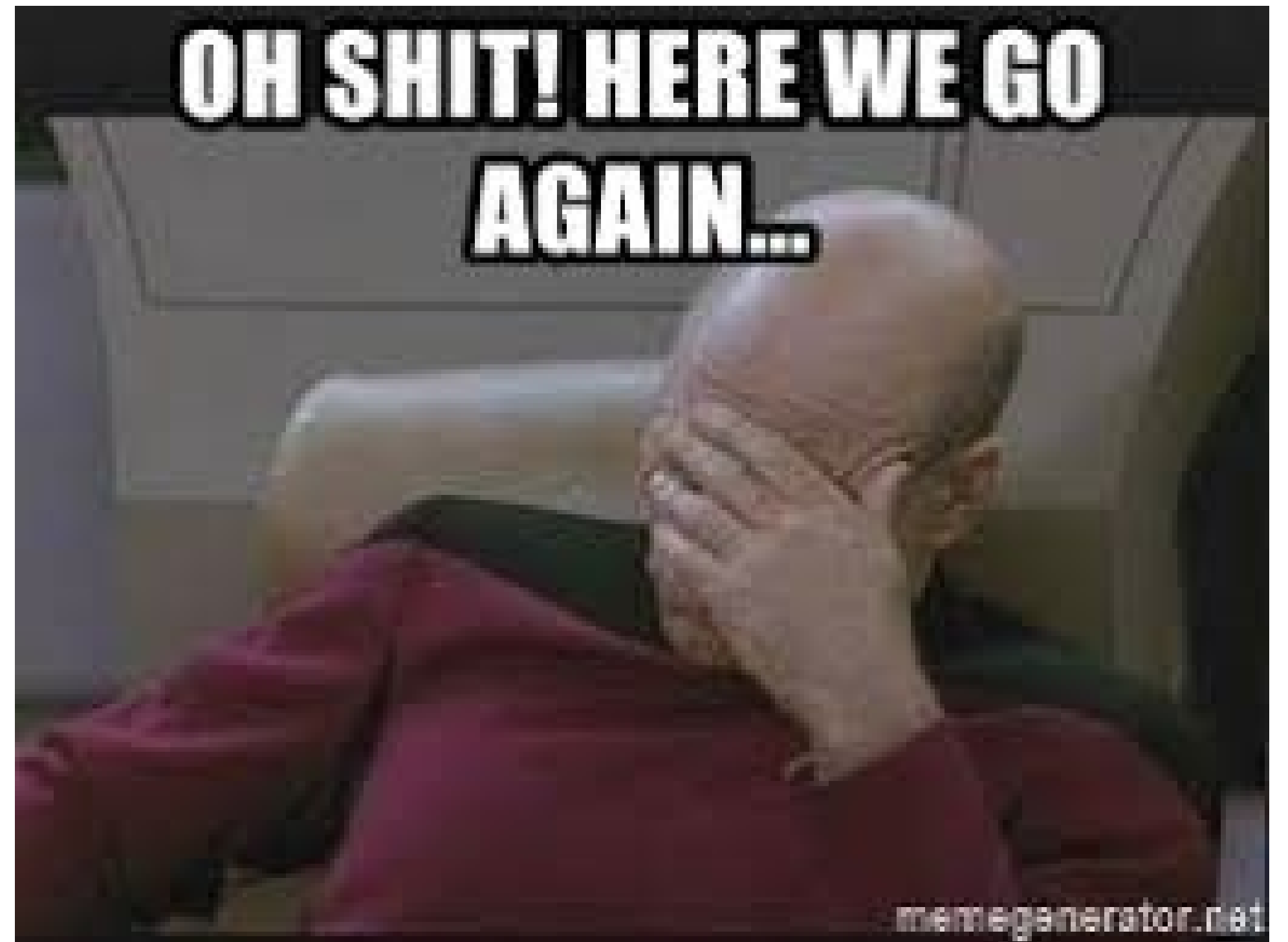
Bought Austin Adventures Back

- **Type: Stock Purchase**
- **Terms:** Cash at closing
- **Timeframe:** 3 months
- **Broker:** No
- **Advisor/Mentor:** Yes
- **How did it start:** Phone call owner



GOOD!

- Back in Control
- Improved best practices
- Great relationship with seller
- Good experience all the way around



Bad!

- Full financial responsibility
- The buck stops here
- Rebuilding the family brand



2020 Acquired Wildland Adventures

- **Type:** Stock Purchase
- **Terms:** Take over bookings, earn out
- **Timeframe:** 3 months
- **Broker:** No
- **Advisor/Mentor:** No
- **How did it start:** Phone call with old friend



GOOD!

- Worked with long time friend to help with exit strategy and retirement.
- Added adventurous guests to our database.
- Good overlap of vendors and DMC's



Bad!

- Really no “Bad”
- COVID took a toll on dragging out bookings and travel
- Lack of communication, caused challenges reengaging clients and prospects.



2021 Sold Austin Adventures (again)

- **Type:** Stock Purchase
- **Terms:** Cash at closing & 5 Year Note
- **Timeframe:** 12 months
- **Broker:** No
- **Advisor/Mentor:** No
- **How did it start:** Phone call from Private Equity Firm.



GOOD!


- It was time!
- Financial Gain
- No Stress
- Took care of key employees (family)
- Key leadership in place
- Growth mindset
- More personal time to enjoy life.



Bad!

- Had to be ready to accept no longer in charge.
- Don't always agree with direction but agree its best for the brand.



A person stands on a rocky shore, looking out at a turbulent sea under a dramatic sky. The sky is a mix of orange and blue, suggesting a sunset or sunrise. The person is silhouetted against the bright sky. The sea is dark and choppy, with white foam from the waves visible on the right side. The overall mood is adventurous and contemplative.

LIFE IS AN ADVENTURE

That's what 27 years of M&A Adventure looks like in 10 minutes!

Let's take a quick break for any "fun" questions, fire away? Keep it light.

That should have you thinking about what this all could or should mean to you.

- Are you ready for the stress and distraction of a sale?
- What are you hoping to get out of the “deal”? (cash, job, minority stake?)
- Is now the right time for you?
- What resources can you commit? (Accounting, due diligence, legal, etc)
- Who can you talk with?



OK so after all the soul searching you think you are ready! Where do you start?

- First things first, get your financial house in order.
- Know and illustrate your numbers (Revenue, profit and guest counts)
- Who is on your team? Who can/should you share your intentions with?
- What are you looking for (\$\$\$) Can you justify?
- Do you need a broker? Who do you know that might be interested? (competitors, employees, etc)
- Do you have a sales and marketing plan that can be shared? History?
- Accurate Inventory List of assets
- Any personal contacts you might know to reach out to for possible interest?



Let's get serious

While there are limitless types and styles of transaction, there are two fundamental options you need to be thinking about. There are pros and cons to both. What is right for you?

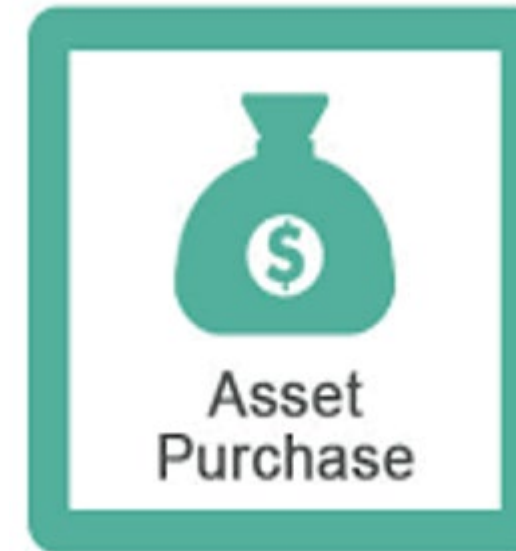
Stock Purchase



A stock purchase is just that, the buyer purchases all (or sometimes a percentage) of existing corporate stock.

Generally sellers prefer a stock sale. The buyer takes over all existing stock and any and all outstanding liabilities.

Asset Purchase



With an asset purchase, the buyer commits to purchasing a specific list of company assets.

Often an asset purchase is more advantageous for the buyer. Acquiring a specific list of assets and only identified liabilities.

Asset Purchase

Pros

Significant tax advantages to buyer. May “step up” evaluations of assets for depreciation or amortization.

Goodwill may be amortized.

Buyer can do a deep dive into assets and liabilities and choose which they wish to retain or omit.

Because exposure to unknown liabilities is limited, buyer can spend less time, energy and expense on costly due diligence.

Buyer does not have to deal with minority share holders.

All employees must be “laid off”, buyer can then determine who to retain and generate new contracts.

Cons

All contracts with customers and or suppliers must be renegotiated and executed.

Tax impact to the seller is often higher.

Contracts and or permits may not be transferable.

All assets will need to be retitled.

Employees may look to negotiate higher wages.

The seller will need to “deal” with anything and everything not purchased by the buyer.

Seller may be liable for unknown past liabilities.

Stock Purchase

Pros

Buyer takes over all existing stock and any and all outstanding liabilities, both known and unknown..

Considered the least disruptive to an ongoing business.

Contracts, permits, employee contracts, titles, etc all remain active and in place.

Buyer may avoid expensive transfer taxes.

Cons

Buyer can handpick assets or assume or deny specific liabilities.

All assets and liabilities transfer at the established carrying value, no adjustments can be made.

Specific attention and arrangements must be made to identify unwanted liabilities.

Goodwill is not tax deductible if it exists as a share premium price.

Due diligence and legal fees may be higher (and take longer) to protect buyer from past actions..

A background image showing the silhouettes of four people climbing a rocky cliff. They are holding hands and pulling each other up. The scene is set against a bright, low sun, creating a warm, golden glow. The person at the front is reaching out, while the others follow behind, supporting each other.

Your Team?

Whether you are buying, selling or merging, it's a team sport. Who is on your team?

Brokers: Brokers can be a useful asset, much like a real-estate agent selling your home, a broker represents you and markets your company to the masses.

Advisors: Often a trusted known expert that can help counsel you along the way. Looks out for your best interest.

Lawyer: Clearly legal fees can eat up a big chunk of whatever you have to gain. It is critical you retain counsel you can trust and will not let “the other side” run up legal fees.

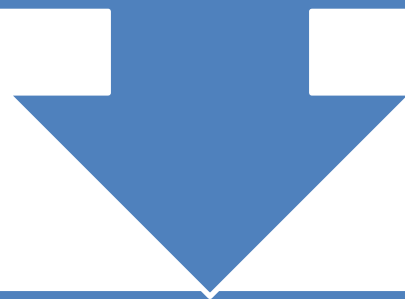
Accountant: Next to your lawyer this is likely the next key player. Getting solid advice before the deal is key. Are you better off with a stock sale/purchase? Asset?
Tax implications?

Key Staff: Determine who should be in the loop and share your goals and aspirations. Avoid surprises at all cost.

Friends and Family: Don't be shy in talking to friends and family you trust and respect.

Are you Ready?

If after all the soul searching, conversations with trusted friends, family advisors you are ready to move forward: Buckle Up! Selling your baby can be an emotional roller coaster. It can and will take longer than you expect, and you WILL second guess your decision at every turn.



Except the only known is the unknown and go with the flow. Don't take your eye off the ball, keep your business running, making the day to day your top priority.



Be Patient! Good things
come to those that wait.

Be ready, the process
can take over a year and
often does.



Lightning Round of Q&A



Thank you and please stay in touch!



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