

CARPENTERHAWKE

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The Selling Process

Contact Us

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The 9 Step Sale Process

Selling your business effectively and efficiently requires following a disciplined process which is individually tailored to your particular business. Fortunately, Carpenter Hawke team have the depth of experience to understand what will work best for you. In general, however, the Selling Process can be described in 9 steps:

1. Initial Meeting

We like to meet with you, at your place of business, where it gives us a better understanding for what it is that we're going to value and sell. If you would prefer to do it off-site, then you can either come to our office or arrange a place closer to your business. The meeting will allow us to get to know your business and better understand what you wish to achieve with the sale, explain the selling process, and review our fees and engagement requirements. All of this is done in strict confidence. If you like what we have to say, and then we move to the next step to give you a value range for your business (valuation.)

2. Value Range

Generally speaking, valuations of businesses take into account a variety of factors including the financial performance of the business, what industry it is in and the type of buyer that is likely to purchase the business, to name a few. The financial information we will need is:

- Past 3 years of business tax returns
- Year-to-Date and Trailing 12 month Profit & Loss Statements from QuickBooks or equivalent
- Most recent Balance Sheet
- Approximate fair market value of company assets & list of assets
- Approximate value of inventory
- Lease information or real estate appraisal if real estate is a part of the sale

Armed with this information, we will get back to you within 3 to 5 business days with an opinion of value which will detail the range of a most probable selling price, the expected terms of a sale, and the type of buyer that would be interested in your business. Typically, we also pre-screen the transaction with third party lenders to find out if the business can be financed.

Ultimately, sellers need to know what the net proceeds of sale will be after paying transaction fees and taxes. Our advice is that you meet with your accountant and financial planner to determine if this sum will be sufficient to meet your financial goals before making a decision on whether or not to sell.

3. Assemble Deal Team

Transactions are best completed if all the advisors needed to work on it are brought together in the beginning as a team that is kept informed throughout the sale process. This team will include us as your intermediary, an accountant and transaction attorney. If you don't know a good transaction attorney or if your accountant is not well versed in understanding the tax implications of a sale, we can give you names of several accountants and attorneys that could represent you.

4. Identifying Buyer Type & Marketing the Business (Confidentially)

Once our deal team is in place, we will draft a CDM Confidential Descriptive Memorandum as the first step in the marketing process. This is a 25 – 30 page business description of the business, along with financial summaries, highlights opportunities, describes the markets in which it operates, identifies the competition, and gives details on the operations and personnel of the business. It is drafted so that it provides enough information to a prospective buyer to make an offer. In addition, we produce a two-minute video that highlights the business and is embedded into the CDM produced. We don't begin to market the business until you've approved this document. It is never sent to a buyer until they've signed a confidentiality agreement and disclosed their financial resources available to purchase the business.

Simultaneous to drafting the business review, we are also developing a target list of buyers and a methodology for marketing to these buyers. Depending upon your business, buyer types may include either financial buyers that are primarily interested on achieving a return on invested capital or strategic buyers that view the acquisition as one that will enhance their business by expanding their market and/or operating capabilities (other companies and/or Private Equity Groups fall into this category.) Our targets for these two groups of buyers are derived from:

1. Our internal database of 2,000 buyers including individuals, investors, and representatives from over 3,000 Private Equity Groups.
2. A subscribed database of a different amount of strategic, depending on the seller industry.
3. Research from subscribed databases such as D&B and internet searches that allow us to develop possible strategic buyer candidates.
4. Posting a generic confidential description of the business on 7 different business brokerage websites to which we subscribe and which buyers from all over the world review.

Whether the method is targeted or broad brushed, we proceed only after you approve it. Our hope is that we develop a number of interested buyers to create competition in the process.

5. Buyer Pre-Screening

Buyer inquiries from our marketing are vetted through interviewing them in person or over the phone after they've signed a non-disclosure agreement and given us an understanding of their financial strength. They are then given the business review. If confidentiality is a particularly sensitive issue, we will run their names by you before releasing any information.

6. Buyer/Seller Meeting

If the buyers survive our pre-screening process and appear to be good prospects with a strong interest in the business, we then set up a meeting with you. More often than not, buyers want to see your business. On site visits are usually scheduled after hours or whenever you are comfortable showing the business. A representative from our firm is always present at these meetings.

7. Offer to Purchase

After the meeting, a buyer may wish to make an offer. If that is the case, we ask that they do so in the form of a non-binding Letter of Intent (LOI) or Term Sheet in which the basic terms of a transaction are outlined. These typically include the purchase price, terms and method of payment, training and consulting agreements, non-compete agreements, and any other critical issues the transaction must deal with. We will discuss the offer with you, make recommendations and you will decide to either accept it, reject it or continue to negotiate until an offer is accepted. In cases where there are multiple offers, we will set up a process where all buyers are treated fairly and which is conducted expeditiously so that you achieve the best possible offer.

8. Due Diligence

Generally, once an LOI or offer is accepted, the buyer has 30 to 45 days to perform its due diligence. During this period, you agree not to negotiate with any other party, but we continue to field buyer inquiries so that we can contact them should the transaction not close. During due diligence, the buyer will wish to verify much of what was shown in the business review by looking at bank statements, copies of leases, contracts with customers and suppliers, etc. We ask that they put a due diligence list together before proceeding to make sure it is reasonable and appropriate. At the end of the due diligence period, we ask the buyer to present a draft of the purchase agreement and other documents necessary to close (in some cases, it may be more appropriate for the seller to generate a purchase agreement). Also during this time, if financing is required, we will be working with the buyer to help them secure it.

9. Closing

When the purchase agreements and other closing documents are finalized between both party's attorneys, then a closing date can be finalized. We're there representing the seller and working with the buyer every step of the way. Typically, from the time of offer till closing takes between 60 and 90 days.

Since 1991 Carpenter Hawke & Co. has represented sellers of small to mid - market businesses in a variety of industries including, manufacturing, distribution, business service, technology, web/internet, hospitality and funeral. Our client's businesses range from \$1MM to \$50MM in sales revenue.

[Contact us](#) today if you'd like to speak to us about selling your business.