



## THE M&A FIVE STAGE SELLING PROCESS

PACIFIC M&A AND BUSINESS BROKERS LTD.

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THE LINK TO SELLING YOUR BUSINESS | LOCAL KNOWLEDGE WITH A GLOBAL REACH

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### GENERAL OVERVIEW

#### M&A SELLING PROCESS - PACIFIC M&A AND BUSINESS BROKERS LTD.

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#### Are You Thinking About Selling Your Business?

Maximize the value of your business with Pacific M&A and Business Brokers. In its pool of buyers, Pacific has over a thousand private equity groups looking for specific transactions that might be strategic, synergistic, or financial in nature, additionally they have several dozen industry specific buyers at any point in time and thousands of general buyers and contacts looking to purchase good businesses across multiple sectors.

Whether it's an immediate sale, or something you are considering over the next number of years, it is never too early to lay the foundations of your exit strategy. A time planned and considered approach will maximize the value and saleability of your business.

The M&A process is not a "one size fits all" process. The work within each stage and the amount of work and time required for each stage of the process may vary substantially together with the level of involvement of each advisor such as lawyer, accountant, etc., dependant on the stage and structure of each deal. Further, the process will vary based upon whether the sale process undertaken is structured as a one to one sale or an auction.

At Pacific, they ensure that all their efforts are intrinsically focused on helping their clients achieve their goals and will structure the sale process that best meets your business and goals.

#### The M&A Five Stage Selling Process

- Stage 1 - Assessment of the Most Probable Selling Price (Market Interpretation)
- Stage 2 - Marketing Materials & Due Diligence Preparation
- Stage 3 - Marketing
- Stage 4 - Negotiations & Due Diligence
- Stage 5 - Closing



### STAGE 1

#### ASSESSMENT OF THE MOST PROBABLE SELLING PRICE (MARKET INTERPRETATION)

##### Interpretation of Market Value

At this initial, yet critical stage of the process, Pacific M&A and Business Brokers seek to interpret the “real value” of the business as determined by the open market considering potential target specific strategic or synergistic opportunities. Using proprietary software, this is done by performing and providing a detailed, yet understandable valuation report that considers multiple proven methods under the three main approaches to business values. This report will articulate what Pacific calls the Most Probable Selling Price (MPSP) and forms the basis of Stage One of their process. This is an essential step to the process. Pacific charges a cost recovery fee for all assessments or valuations. The valuation fee is independent from the “success fee” paid for the successful sale of your business and will vary based on required work, business size, and other factors. Please discuss the fee with one of their professional M&A Advisors to determine your applicable fee.

##### Most Probable Selling Price (MPSP)

In performing the interpretation of the MPSP, Pacific M&A and Business Brokers works with you to confidentially complete any normalization of the historical financial information, understand the business and market space, determine realistic growth potential and projections, understand current market conditions, determine value drivers, and more. This enables them to provide a reasonable and critical assessment of the MPSP that will provide you with a realistic interpretation of the actual market value, pool of buyer size, and other critical information that will help you make key decisions and answer such questions as: “Is this the right time to go to market?”; “Will my expectations be met?”; “Who will the likely buyer be?”; “How long will it likely take?” and more.

Pacific’s opinion of the MPSP is based on multiple proven methodologies, your specific knowledge of the business, market conditions, future growth potential and opportunity, value driver considerations, and much more which in turn provide unprecedented marketplace accuracy. Depending on the complexity of the business, detailed accuracy and timing of financial and other information provided by you, this process could take up to four weeks. It may be worth being reminded of the market reality that today’s buyers are generally knowledgeable, and motivated by both the reason the business is for sale, and by the right price being presented. They will not pay for improbable opportunities that are without substance. Their ability to accurately justify the asking price is a key value they bring to the relationship.

During this Stage One of their process as well as Stage Two, Pacific may call on you to obtain additional information or discuss pertinent matters in order to ensure all details have been considered. If you are comfortable with the results of the provided MPSP report and wish to continue the process, Pacific then moves to Stage Two of their process where your full cooperation will be solicited in order for us to successfully get to the desired sale of your business. Successfully selling your business requires your full cooperation and commitment to the process.



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### STAGE 2

#### MARKETING MATERIALS & DUE DILIGENCE PREPARATION

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This could be considered the “preparatory stage” of an M&A transaction. In addition to creating the marketing materials to confidentially promote the business for sale, this stage also involves the determination of a potential target buyers and list development thereof, the assessment and consideration of different marketing options and strategies such as a “one-to-one” (traditional) sale process or auction process. Additionally, this stage also considers the analysis of possible synergies within select potential buyer targets.

This preparatory stage also encompasses a “pre-due diligence” and preliminary structuring considerations, the setup of a data room, and more.

The marketing materials consist of multiple confidential and restricted exposure marketing documents to address differing levels of buyer interest and qualifications. In parallel with the creation of the marketing materials, and since most transactions are known to fall apart during the buyer due diligence process, as noted above, Pacific performs their own internal due diligence in order to be properly prepared and ready to accurately and successfully manage the buyers due diligence process in Stage Four. In the preparation of the marketing materials, Pacific draws from data and information gathered during the Stage One valuation process such as detailed business analytics, industry status, competition, assessment of strengths, weaknesses, opportunities, and threats to both the business and industry, market size and status, buyer pool size, demographic and geography of target market, and a host of other points both historical and futuristic in order to confidentially and successfully present your business to qualified buyer targets in the most favourable light.



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### STAGE 3 MARKETING

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Assuming the decided marketing process is the one-to-one process instead of the auction process (see Managed Auction Process for more information), Pacific M&A and Business Brokers passively and pro-actively markets your business.

Pacific passively markets the business by confidentially exposing the opportunity to a myriad of different M&A specific listing websites worldwide, and not restricted to local markets.

Pro-actively, they confidentially expose the business to their extensive worldwide affiliate M&A network, their internal pool of buyers and contacts numbering into the thousands as well as to specific strategic or synergistic or industry targets developed during Stage Two of the process. The objective here is at all times to attempt where possible, to deliver competing offers to the table in order to effectively drive the business value to the best buyer candidate.

This typically affords Pacific the opportunity to confidentially sell your business in the shortest period of time, and for the best and most realistic price. Historical data shows that on average, the deviation of the final selling price from the MPSP is less than 5% and with a closing success ration in the 95 percentile.



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## STAGE 4

### NEGOTIATIONS & DUE DILIGENCE

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Upon receipt of Non-Disclosure and Non Interference Agreements (NINDA) from potential buyers, and upon verification of their interest levels and financial capacity, using competitive criteria matching techniques, and a proprietary dedicated Client Relations Management software, Pacific's professional M&A Advisor prepares and negotiate offers, Letters of Intent (LOI) or Expressions of Interest (EOI) or Indications of Interest (IOI) for both maximum value and best fit.

Once an offer or LOI, EOI or IOI is accepted, Pacific manages the negotiations and due diligence process as previously noted and as prepared during Stage Two of the process in order to successfully avoid the pitfalls experienced by many others not being so strong and eloquent in their process. The due diligence process could take multiple forms including preliminary due diligence, or formal due diligence and the LOI, EOI or IOI could call for exclusive or non-exclusive due diligence and/or negotiations. Your M&A advisor will diligently elaborate and explain the applicable process.

Typically, an LOI follows an EOI or IOI and is a more formal document that will detail such things as timing, structuring, price, inclusions and exclusions including working capital, expected training and transition or participation, sources of funds, and much more. This is generally non-binding, and subject to negotiations. An offer is the most formal, and not often typical in larger transactions.

The due diligence is fully managed with Pacific's proprietary systemic process and controlled access to a cloud based digital data room that was established during Stage Two of the process. Successfully clearing a buyer due diligence stage signals that one is a step closer to the finish line.

The due diligence generally serves to confirm the consistency and material accuracy of representations made, quality of earnings, etc., the potential buyer party will now typically deploy a full due diligence team often consisting of accountants, lawyers, and other transactional advisors, and due diligence specialists. Together, the due diligence team will work to complete the due diligence to deliver to the potential buyer their findings. The diligence process will most often be broken up into several categories including but not limited to:

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|--|----------------------------|
| a. Corporate                           | g. Personal Property       |
| b. Material Agreements                 | h. Intellectual Property   |
| c. Litigations                         | i. Taxation                |
| d. Human Resources and Related Parties | j. Insurance and Liability |
| e. Financial                           | k. Environmental           |
| f. Real Property                       | l. Other                   |

This information, flow, and due diligence is fully managed by Pacific and the M&A Advisor through the use of Pacific's proprietary systematic process.

Subject to the due diligence findings, once the due diligence is cleared, negotiations may continue with the purpose of articulating and refining the elements of a Definitive Agreement of Purchase and Sale.



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## STAGE 5 CLOSING

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Where applicable, it is typical to perform an inventory count prior to the closing. This will be coordinated by your professional M&A Advisor together with any other pre-closing activities.

In this final, yet critical stage, there are a multitude of things that can come into play and derail a deal including emotions. For this reason, Pacific's experienced professionals follow a methodical checklist of almost 300 steps to ensure that nothing is left to chance, or to the whim of emotions, fears, or the ill advised.

Professionally managing this final stage including all respective transaction advisors, counsels to the transaction, the buyer, and the seller, is absolutely essential to the success of a closing. It is not because of setbacks, or even surprises that so many transactions don't get across the finish line. It is most often due to the lack of knowledge, unrealistic expectations, lack of required resources, and pure lack of management of all the facets involved and required to successfully get across the transaction finish line.

Boasting a better than 95% close ratio versus the low industry standard (in the 20% range) clearly reflects Pacific's knowledgeable and professional systematic approach to the successful sale of your business.

### In Closing

When hiring Pacific, you are hiring a full complement of professional M&A Advisors and Intermediaries. With a dedicated lead professional on the file, you will capitalize on several hundred years of professional expertise, all the required resources to successfully sell your business, and in one place, where their success, is directly tied to yours.

## **PACIFIC M&A AND BUSINESS BROKERS LTD.**

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