

# HCE

Acquisitions

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## Introduction For Business Owners

# Overview

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**Who We Are:** HCE Acquisitions is the small and medium sized business acquisition division of HCE, a multi asset class investment firm & conglomerate.

**Our Mission:** To acquire small and medium-sized businesses to preserve their legacy, refine them to world-class status, and achieve sustainable growth and operational excellence while upholding the values that define them.

## Our Core Values:

- **Quality:** Dedication to maintaining the highest standards of quality in all that we do or are associated with.
- **Accountability:** Taking full responsibility for our actions and decisions, and ensuring that we exceed our commitments to everyone.
- **Candor:** We uphold openness, honesty, and transparency in all our actions, communications, and decisions.
- **Investing in People:** We believe that the only to achieve sustainable success is by prioritizing and supporting those who support you.
- **Impact:** Committing to making a practical positive difference in the world and driving change that improves industries, communities, and lives.

# Businesses We Like to Acquire

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**Industries:** Commercial Facilities & Home Services, Manufacturing, and Essential Business Services

**Locations:** IN, MI, IL, OH, & KY United States (300 mile radius from Indianapolis, IN)

- 15% minimum profit margin
- \$300,000 minimum EBITDA

## Qualities we like:

- Established management or easy potential for management installation
- Established and documented operational processes
- 10 years or more in business
- Diversified customer base
- Sustainable competitive advantage
- Strong historical cashflow performance
- Positive brand reputation and customer loyalty
- Demonstrated resilience to economic downturns
- Established and reliable supply chain and or partners
- Operates within a jurisdiction with favorable legal frameworks

## Qualities we don't like:

- Franchises
- Union workforce
- Less than 6 years of operation
- Daily operations or customer relations are heavily depend on the owner(s) involvement

\* Must have maintained these qualities for a minimum of four years

As of 12/2024

# Why Sell to HCE?

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- **Long Term Commitment:** We are not short term investors or flippers. The majority of our acquisitions are positioned as permanent holdings.
- **Quick Closings:** We value your time and aim to close deals within 45-60 days or less, thanks to our efficient due diligence process and fast acting financial partners.
- **Flexible Purchase and Transition Options:** We offer flexible purchase and transition options tailored to your unique situation, whether you're seeking a full exit or need assistance preparing your business for sale over a longer period. Our structured approach ensures a seamless process, minimizing disruption to employees, customers, and operations while respecting your goals and priorities.
- **Preserving Legacy:** We are committed to preserving the legacy, values, and reputation of every business we acquire while ensuring its employees are retained, supported, and provided opportunities to grow. By honoring the culture and people that make the business successful, we create a foundation for long-term stability and success
- **Expertise:** Our team has decades of experience in acquiring, operating, and growing small and medium sized businesses, with industry-specific experts who understand what it takes to ensure a smooth transition and lasting success.
- **Ecosystem:** Your business will join an ecosystem of interconnected companies that collaborate to support one another. These synergies not only enhance the success of the businesses within the ecosystem but they'll also help fuel new ventures that bring other's impactful ideas to life.

# Our Acquisition Process

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- 1. Initial Contact:** The process begins with an introductory call where we discuss your business and your goals. A Non-Disclosure Agreement (NDA) is signed to ensure confidentiality for both parties.
- 2. Information Review:** Owners provide preliminary financials and operational details (e.g., P&L statements, balance sheets, and an overview of operations). HCE conducts an initial review to determine if the business aligns with our acquisition criteria.
- 3. Formal Meeting and Offer Presentation:** If HCE determines the business is a good fit, we meet with the owners to discuss the business in more detail and what the acquisition would look like. After the meeting we issue a Letter of Intent (LOI) outlining the proposed acquisition structure, terms, and timeline.
- 4. Due Diligence:** After the LOI is accepted we begin our comprehensive due diligence process.
- 5. Final Negotiation and Closing:** Following due diligence, we negotiate and finalize the Purchase Agreement and any supporting documents, such as: Transition Services Agreement (if applicable), Non-compete agreements, Escrow or payment terms, etc. After agreements are signed and funds are transferred the ownership is officially transferred to HCE.
- 6. Transition Period:** Following the sale, the seller collaborates with HCE to transfer knowledge, support operational continuity, and assist in key handover activities, ensuring a seamless transition.
- 7. Long Term Growth:** After integration into our ecosystem, the business and its employees grow, leveraging shared resources, operational enhancements, strategic support to unlock long-term growth and new opportunities.

# Not Ready for a complete sale Yet?

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We understand that selling your business is a big decision and not always something you're ready to do right away. Some businesses may also lack the characteristics that make them attractive to buyers. That's why we offer flexible options to help you plan for the future, enhance your business's value, and ensure a successful transition when the time is right.

## Gradual Ownership Transition

If you're not ready for a complete sale or if your business needs adjustments to achieve sell-ability, HCE can step in as a strategic partner. By taking a stake in your business, we help set it on a trajectory for long-term success and readiness for transition. Over a 2-10 year period, we'll work with you to:

- **Operational Excellence:** Strengthen and systematize day-to-day processes, improve efficiencies, and eliminate bottlenecks to ensure smooth operations.
- **Management Independence:** Develop leadership and management teams capable of running the business without owner dependency.
- **Strategic Growth Initiatives:** Identify new markets, expand product or service offerings, and drive sustainable growth.
- **Financial Readiness:** Organize financials, improve reporting systems, and ensure transparency for future valuation needs.
- **Cultural and Employee Development:** Invest in employee training, retention strategies, and maintaining a strong company culture to secure long-term success.
- **Transition Planning:** Create a step-by-step roadmap to ensure a smooth ownership transfer when the time is right.

## Carve-Out Options

We can acquire a specific division or segment of your company, allowing you to focus on what matters most to the business while we excel the carved-out division to new heights.

# FAQs

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- **What is EBITDA?:** EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. It shows how much the business earns before accounting for financing costs, taxes, and non-cash expenses like depreciation. Unlike Seller's Discretionary Earnings (SDE), EBITDA excludes owner-specific expenses, focusing instead on how the business performs as a standalone entity not managed by the owner. This metric is widely used to value businesses and assess their ability to generate income under new ownership.
- **Do you pay all cash?:** We pay mostly in cash, with a small portion typically in seller financing or sometimes an earn out.
- **Will you change my business?:** Our goal is to preserve what makes your business great while implementing improvements to enhance efficiency, profitability, and scalability. We respect your legacy and focus on building upon it, not dismantling it.
- **What will happen to my employees?:** HCE places a high priority on taking care of employees. Our approach ensures job continuity and provides opportunities for growth and development within the business. We aim to preserve the culture and team environment you've built while introducing resources to support employees' success.
- **Do I need to stay involved after selling my business?:** It depends on your preferences and the needs of the business. We typically ask for a transition period to ensure a smooth handover, but long-term involvement is not required unless agreed upon.
- **What if my business doesn't meet your criteria?:** If your business isn't an immediate fit, we can offer strategic guidance or partnership opportunities to help you grow and prepare for a future sale.

# Ready to Take the Next Step?

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We'd love to learn more about your business and discuss how we can help preserve your legacy and drive its future growth.

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