Speaking Notes

Your client is about to make one of the biggest decisions of their life, selling their company. This can be one of the most exciting, rewarding, and difficult journeys of their professional careers. They have invested their life into the business and have created an immense amount of value. Help them see the value of hiring a M&A advisor to help them navigate the sale process to maximize value.

Advantages of a M&A advisor:

- Minimize distractions during the transaction
- Negotiate favorable deal terms and structure
- Enhance competitive tension

The core of their service and expertise is to ensure clients receive the maximum value for their business. They do this through a portfolio of services that include:

Planning:

- Building financial models to support valuation
- Performing due diligence
- Creating marketing materials
- Understanding the buyer landscape
- Identifying prospective buyers

Marketing:

- Contacting prospective buyers
- Disseminating due diligence materials

Buyer Due Diligence:

- Creating management presentations
- Assisting in full legal and financial due diligence
- Obtaining and analyzing letters of intent
- Deal Structuring
- Confirmatory due diligence
- Structuring creative deal terms
- Negotiating purchase agreements

Pillar 1: Less Distraction = More Value

Business owners consistently underestimate the amount of time and effort required to sell a business. Owners will often only engage an M&A advisor after attempting a sale process on their own and realizing the distraction that the deal has caused from their day-to-day operational duties. In most cases, a business owner's time is best used and is more valuable doing what they do best – operating their business. This is supported simply by understanding how most buyers look at valuing their acquisitions. In most cases, buyers will value a business based on the Company's financial

performance over a trailing 12-month period (often applying a multiple of Revenue or Normalized Earnings). In some instances, (i.e. high growth industries), they may tie the valuation to future performance, or a combination of the two. Regardless of the valuation methodology, the sentiment is that your business needs to be performing at its best in the lead up and throughout the sale process. If management is at all distracted, the overall strategic mission of your business will get lost in the midst of the deal.

Pillar 2: Maximizing Value & Deal Structuring

M&A Advisors see a lot of deals and structuring strategies in their typical day-to-day work and can help to identify various strategies on either the buy side or sell side to maximize value. For example, sellers often only view the purchase price as the most important number. However, an innovative deal structure can actually extract more value out of a sale even at a lower purchase price. Sometimes referred to as fee neutral, this is a common area where the value that investment bankers and M&A advisors bring to the deal surpasses the fees charged for their services.

As an example, let's say a Business owner receives a preliminary offer for their business that is 100% cash at closing, offering a multiple of 4x (multiplied by) the last 12 month EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) equating to a $10M valuation. However, the Company just closed a very large new contract that will see earnings jump significantly over the following year. The current deal structure does not compensate the business owner for this valuable piece of added business post-transaction. As Advisors, it is our job to negotiate and ensure fair compensation for the client. In this instance, we may negotiate, that in addition to the initial price, there is also an earn out over the next 12 months which represents the incremental profit margin earned by the buyer from this new piece of business. Again, often the additional proceeds from such a transaction can be more than enough to cover the advisors' fees. Furthermore, M&A Advisors are incentivized to increase the purchase price as the client and advisor's interests are perfectly aligned.

Pillar 3: Expanding the Strategic Buyer Pool

As M&A Advisors, we spend most of our time engaging with various strategic and financial buyer groups on a day-to-day basis. For example, quite often these deals require broad outreach to as many as 150 prospective buyers, some of whom are international targets. This has become even more prevalent as the M&A market continues to see increased cross sector activity.

We see this as a continuing trend, especially within the technology sector. Whether it's technology companies buying traditional businesses as a way to push their products (i.e. Amazon acquiring Whole Foods) or traditional businesses acquiring technology companies in order to stay a head of the curve (i.e. Ikea acquiring Task Rabbit), hiring an Advisor that understands these cross-sector trends and one that has the ability to bring the right buyers to the table, will ensure the client receives the most value for their business.