

PREPARE WELL TO EXIT WELL

EXIT OPTIONS

INTERNAL

Family Members

Employees / ESOP
(Employee Stock Ownership Plan)

EXTERNAL

Strategic Buyers

Financial Buyers
Private Equity Groups
Family Offices

PRIVATE BUSINESS VALUATION FACTORS

SCIENCE

Based on Projected Free Cash Flow
Four Formal Valuation Models
May Incorporate Potential Synergies
Financial, Operational, and Other Assumptions

ART

Proprietary Deal vs. Competitive Process
Impact on Buyer's Growth Strategy
Market Impact of Announcement
Defensive vs. Offensive Acquisition

PREMIUM VALUE DRIVERS

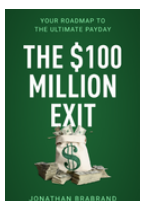
- Significant growth potential (organic and via acquisition)
 - Quantifiable through projections
- Strong leadership team in place
- Attractive market fundamentals (definition, size, growth, trends)
- Recurring revenue
- Consistent historical financial performance *on an adjusted basis*
- History of above-average profitability, with potential to expand
 - Gross profit margin = customer report card
 - EBITDA / FCF margin = business model report card
- Competitive advantages / compelling value proposition
- Diversified and loyal customers and suppliers

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M&A PROCESS OVERVIEW

PHASE I PREPARATION

- Kick-Off Diligence with M&A Advisor
- Preliminary Valuation Analysis
- Draft Offering Memorandum
- Research Potential Buyers

PHASE II MARKETING THE BUSINESS

- Buyers Contacted, Sign NDA, & Review Offering Memorandum
- First Round Bids (Initial Indications of Interest)
- In-Person Meetings with Top Bidders
- Final Letters of Intent

PHASE III CLOSING THE DEAL

- In-Depth Buyer Due Diligence
 - Financial/Accounting
 - Customers
 - Legal
 - Insurance/Risk
- Negotiate Purchase Agreement and Related Documents
- Closing

M&A PROCESS OPTIONS

EXCLUSIVE NEGOTIATION



Engage with a single buyer on an exclusive basis

Pros: quickest option and most confidential

Cons: no competitive leverage; unsure price was maximized

TARGETED PROCESS



Approach a limited number (~10-30) of the most likely buyers

Pros: relatively quick and confidential; competition = higher price and more options

Cons: uncertainty that the best buyer was contacted

BROAD PROCESS



Contact the full universe of possible buyers (100+)

Pros: certainty that no buyers were missed and valuation was maximized

Cons: longest and least confidential; most taxing on management

TOP 10 M&A MISTAKES



Waiting Too Long to Sell



No Succession Plan in Place



Poor Positioning



Lack of Preparation



Pre-Judging Buyers



Avoidable Surprises



Over-Emphasis on Price



No Strategic Plan



No Negotiating Leverage



Complex Deal Structure