



M&A and Successful Exits

THOUGHTS ON VALUE

Seth Webber | June 4, 2019



Establishing the Foundation

Solid Financials

- Recasting financials
- Addbacks and risk

Strong Narrative

- Management plan
- Realistic runway

Attractiveness & Readiness

- Beyond financial performance
- Where are you in the range?

Forecasting Considerations

EXTERNAL

Economic Conditions

Industry-Wide Trends

Implied Market Share

Competitive Response

Disruptive Technologies

New Competitors

Regulatory Changes

INTERNAL

Capital Expenditure Plans

Working Capital Needs

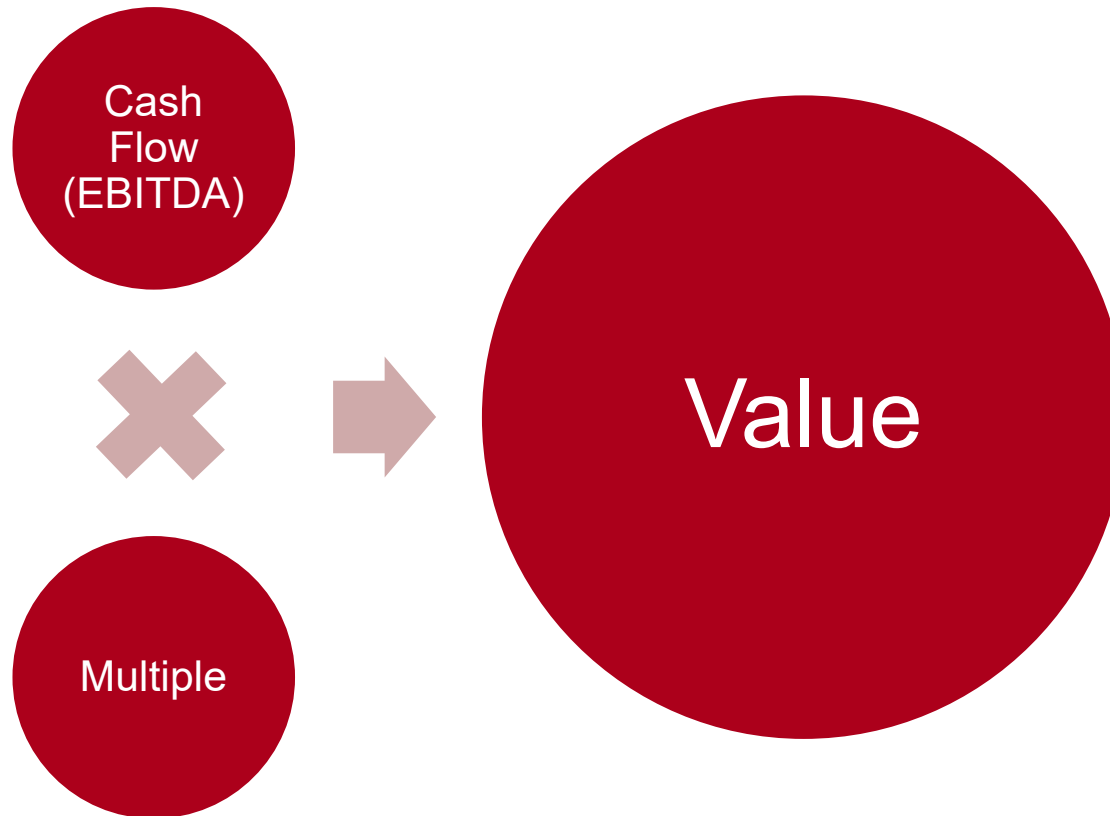
Staffing Requirements

Plant / Productive Capacity

Sustainable Growth Rates

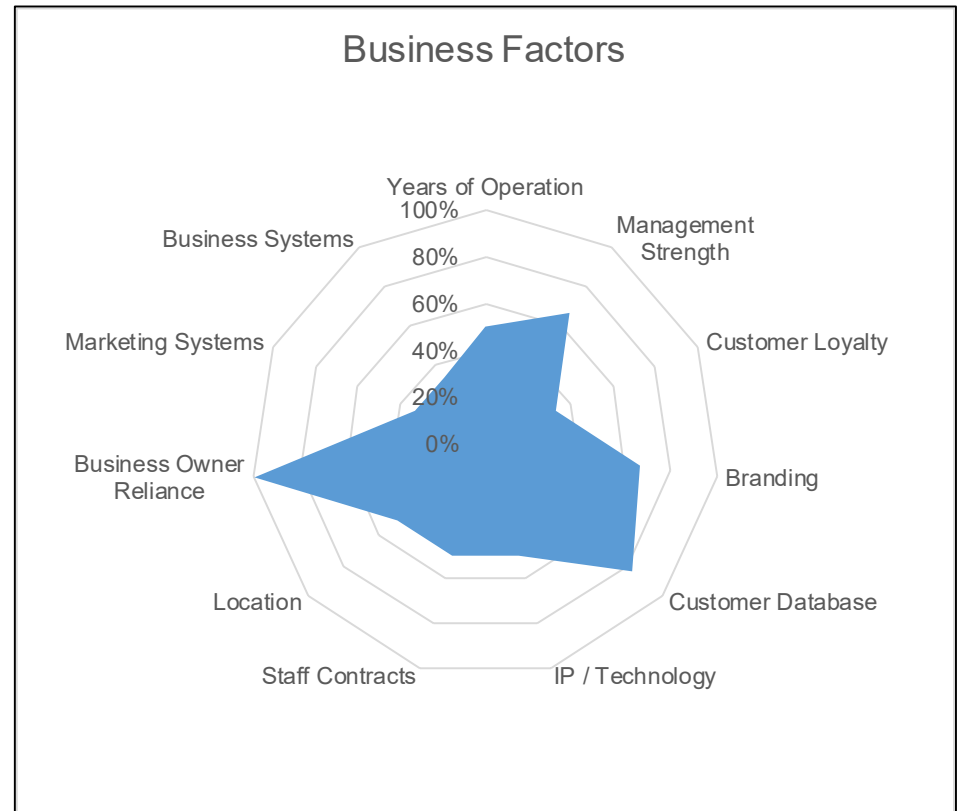
Business System Maturity

Formula for Value



Business Factors

- Management Strength
- Customer Loyalty
- Branding
- Customer Database
- IP / Technology
- Staff Contracts
- Location
- Business Owner Reliance
- Marketing Systems
- Business Systems





Human Impact on Multiples

- 4	4 - 6	6 +
One man operation (chief cook and bottle washer)	One or two person senior management team (two men and a shaggy dog)	Well-rounded management team
No professional accounting staff	Controller on staff	Full-time CPA/CFO on staff
Owner takes all phone calls from customers	Dedicated salesman on the team	Full sales team that manages customers

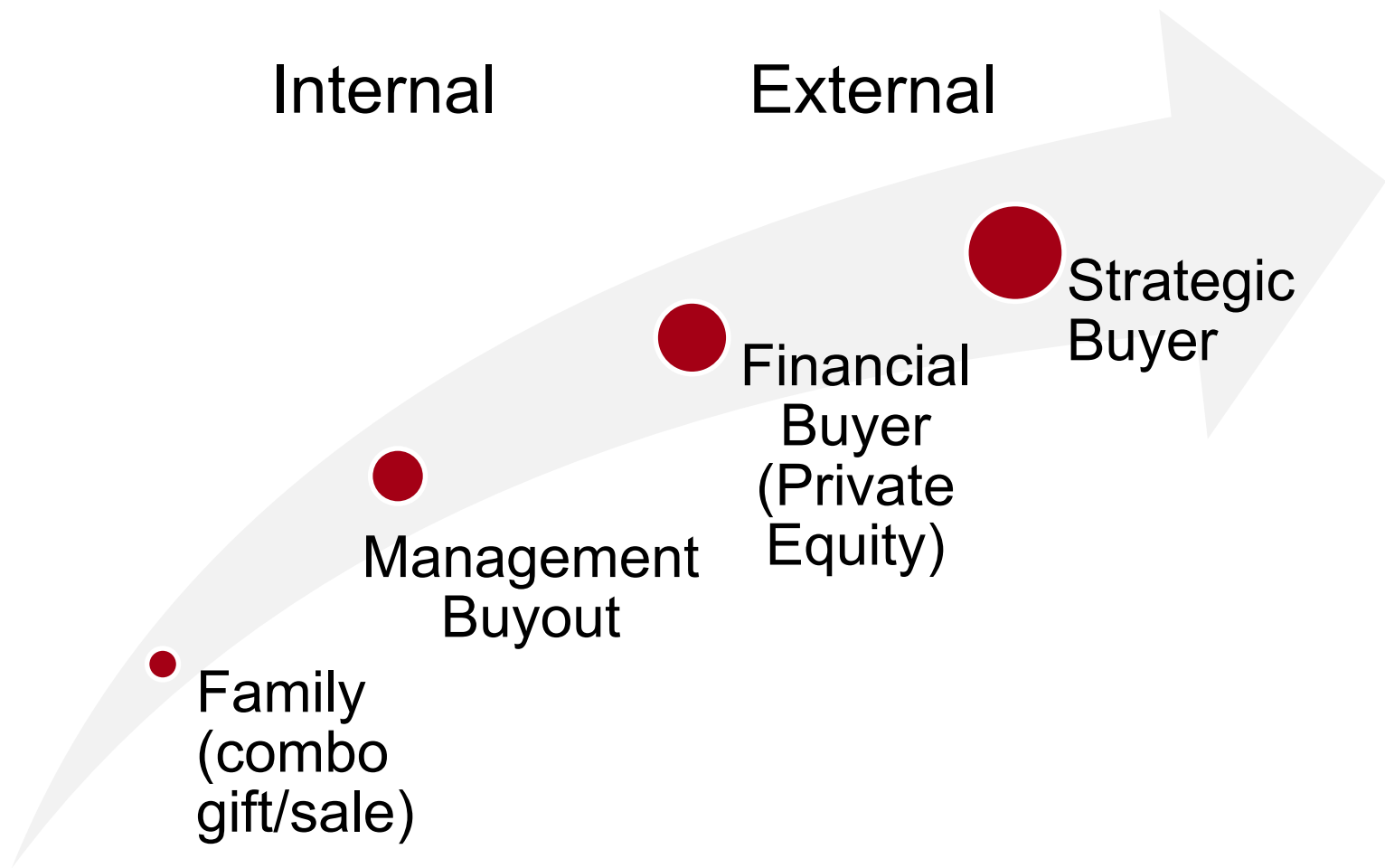
Customers Impact on Multiples

- 4	4 - 6	6 +
Top 3 customers over 90% of revenue	Top 10 customers are less than 50% of revenue	No customer is more than 5% of revenue
Master Service Agreement with Purchase Orders	Annual contracts	Multi-year contracts
Local mom/pops are only customers	Middle market / regional businesses	Blue chip multi-nationals
Lumpy / project revenue	Mix of one-time / recurring revenue	Small, recurring purchases

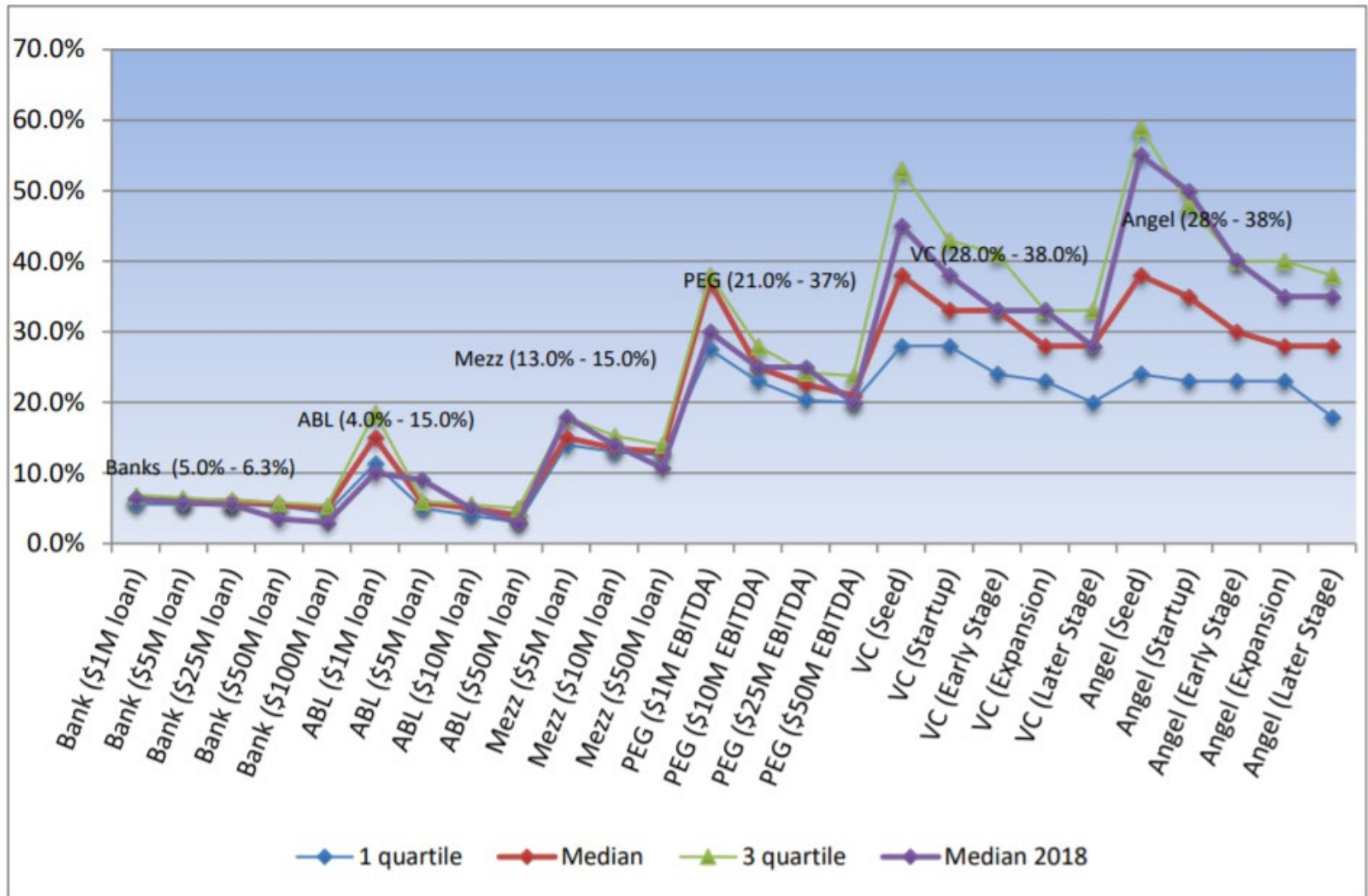
Structural Impact on Multiples

- 4	4 - 6	6 +
High commodity product with low margins	Limited alternatives to your product with average margins	Proprietary product with high margins
No differentiation	Balanced market share across industry	Market leader with few competitors
No contracts	Annual contracts	Multi-year supply agreements with exclusivity
Core operations outsourced to supplier	Painful to switch suppliers, but not crippling	Easy to swap out non-performing suppliers
Top 3 suppliers are over 90% of material expense	Top 10 suppliers are over 50% of material expense	No supplier more than 5% of material expense
Small market size that is shrinking	Low market growth	Large market, growing rapidly

Who Is My Buyer?



Return Expectations By Source



Prepare

- Develop 3-5 year vision
- Focus on the next year, then the next 90 days
- Align the team, assign accountability
- Commit resources
- Establish a measurement and feedback process
- Define a communication plan and rhythm
- Revisit every 90 days

Contact Information

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