

Everything One Needs To Know About Due Diligence To Be Acquisition Ready

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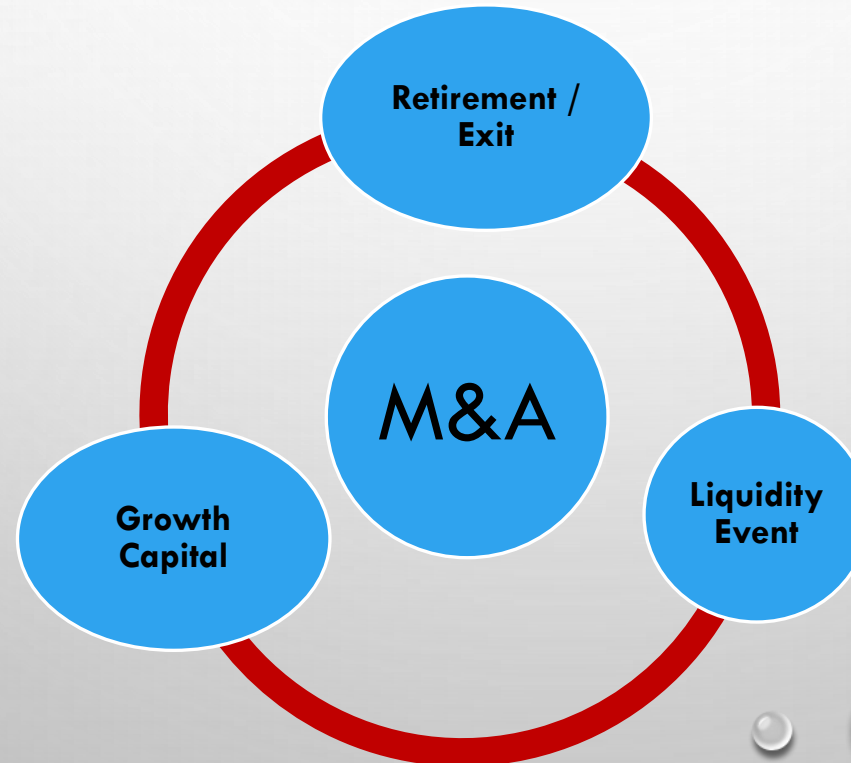
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Merger: Two firms of the approximately the same size join forces and evolve into a new entity with a new configuration of ownership. Stock of both companies ceases to exist, and a new stock is issued.

Acquisition: One company consumes another, and the identity of the acquiring firm continues while the that of the acquired company ceases to exist. Stock of acquired firm ceases to be traded while the stock of the acquiring firm continues.



ACCESS TO CAPITAL

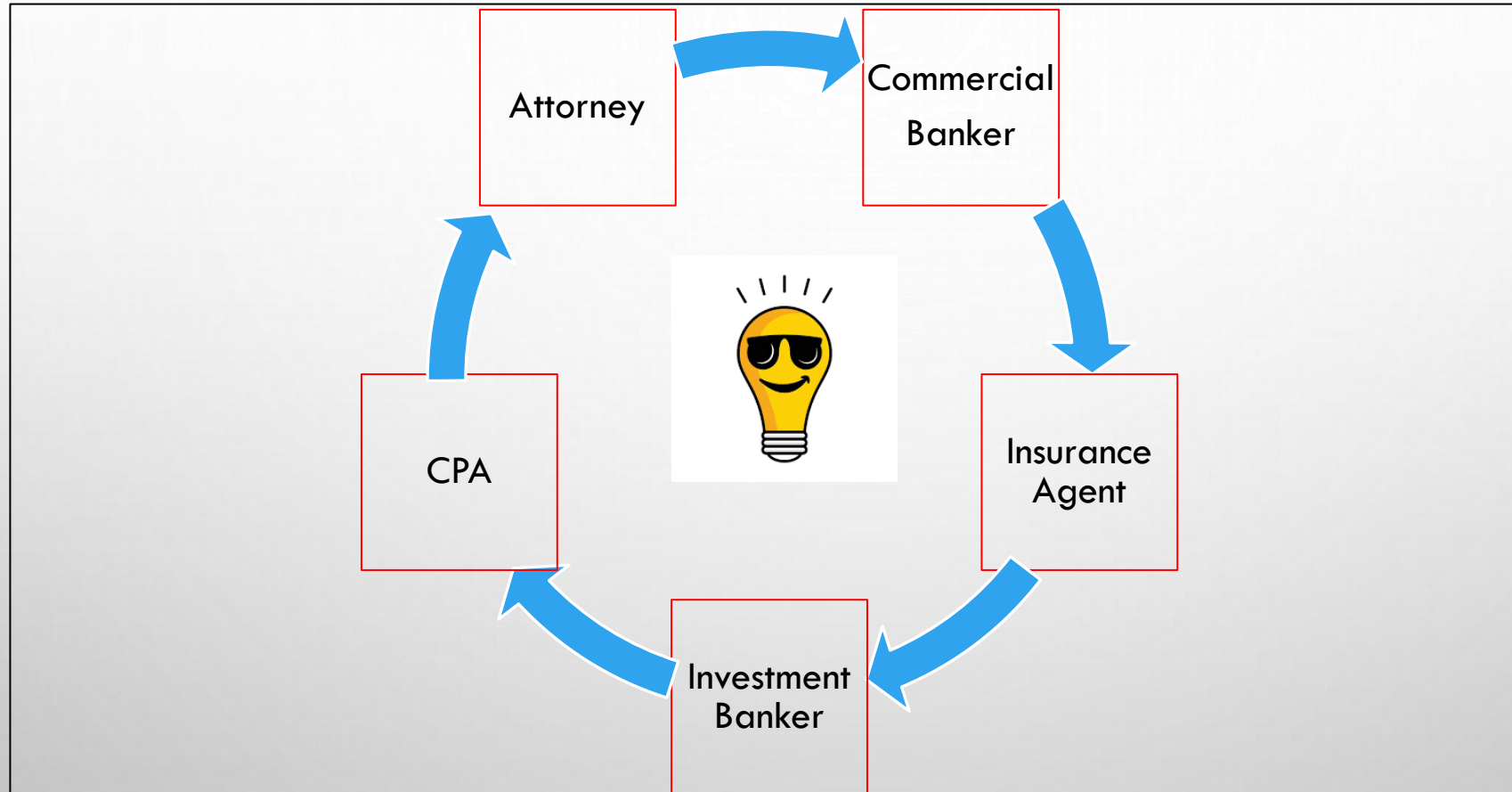
Strategic Buyer: A strategic buyer is a company or investor that seeks to acquire companies or assets, whose acquisition will add synergistic value to their existing portfolio. Strategic buyers are often in the same industry as the target companies, but not always. Because a strategic buyer expects to get more value out of an acquisition than its intrinsic value, it will usually be willing to pay a premium price in order to close the deal. A target company is typically either a competitor in the same industry as the buyer, or a company with complementary attributes in another similar industry. Sale is 100% of the capital stock or assets.

Private Equity Firm: Private equity is an asset class consisting of equity and debt investments in companies, infrastructure, real estate and other assets. Capital invested in this asset class is typically raised from a range of investors through private, rather than public, means. Sources of funds include: insurance companies, pension funds, large endowments (universities), and high net-worth individuals. Private equity firms may look at the company as a platform acquisition or as a roll up asset. They may acquire 100% of the capital stock or take majority / minority interest.

Management Buyout / MBO: In its simplest form, an MBO involves a company's management team combining resources to acquire all or part of the company they manage. Most of the time, the management team takes full control and ownership, using their expertise to grow the company and drive it forward.

ESOP: An employee benefit plan that gives workers ownership interest in the company in the form of shares of stock. ESOPs are set up as trust funds and can be funded by companies putting newly issued shares into them, putting cash in to buy existing company shares, or borrowing money through the entity to buy company shares.

NETWORK = NET WORTH



CAPITAL

Equity

- Family/Friends;
- Angel Investors;
- Strategic Buyers;
- Private Equity Firms;
- Most Expensive form of Capital.



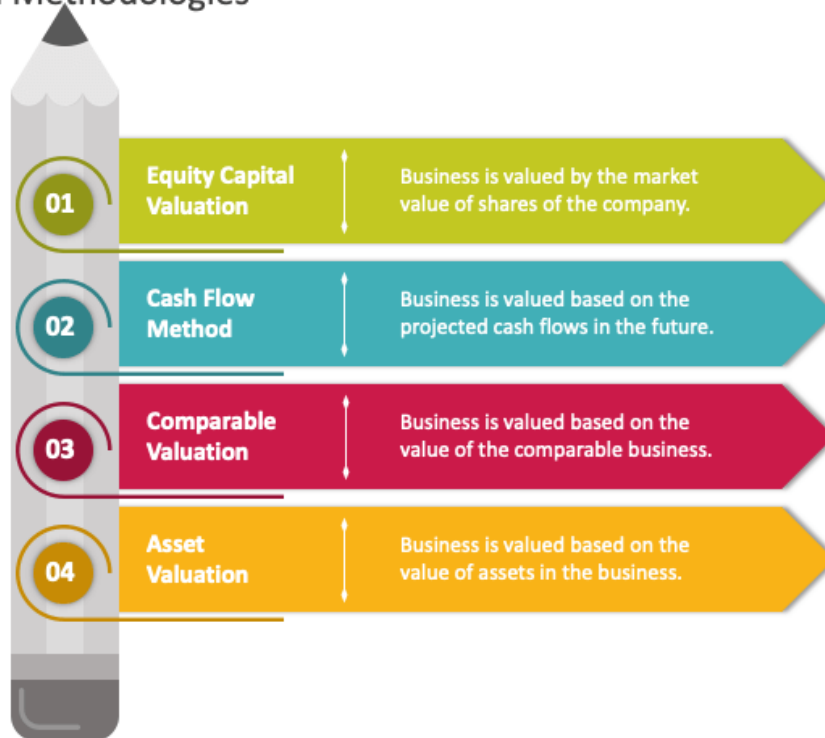
Debt

- Commercial Banks;
- Debt Funds;
- Mezzanine Lenders;
- Seller Notes;
- Less expensive than equity, brings more risk.

VALUATION

BUSINESS VALUATION

Business Valuation Methodologies



EBITDA

EBITDA

Calculation of Reported EBITDA



\$ in actuals	Year 1	Year 2	Year 3
Net revenue	\$500	\$1,000	\$1,500
Cost of goods sold	(300)	(600)	(700)
Gross profit	200	400	800
Gross margin	40%	40%	53%
Selling expenses	(50)	(30)	(45)
G&A expenses	(30)	(30)	(30)
Depreciation & amortization	(15)	(20)	(22)
Operating income	105	320	703
Interest expense, net	(15)	(15)	(15)
Income taxes	(30)	(40)	(45)
Net income	60	265	643
(+) Depreciation & amortization	15	20	22
(+) Interest expense, net	15	15	15
(+) Income taxes	30	40	45
EBITDA, reported	120	340	725
EBITDA margin	24%	34%	48%

Earnings Before Interest, Taxes, Depreciation, and Amortization

$$\begin{array}{l} \text{Net Income} \\ + \text{Interest Expense} \\ + \text{Taxes} \\ + \text{Depreciation} \\ + \text{Amortization} \end{array} \Bigg] = \text{EBITDA}$$

EBITDA is the primary metric used by acquirers in terms of accessing business valuation.

CRITICAL SUCCESS FACTORS

Team: Show a well-rounded team, technical & business. If you are lacking in an area, show advisors, network.

Market: Know your market: Size, Revenue, Defined Target Client, What problem(s) are you solving, what is your competitive advantage?

Operating Performance: Show Revenue/Margin/EBITDA growth. Is revenue lumpy? Is revenue recurring? Client concentrations.

Cash Flow: Cash is king. How quickly are A/R and if appropriate inventory turning? Understand Tax impact.

Balance Sheet: Banks want to see a strong balance sheet and consistent improvement. Retain earnings. Do not distribute out all profits.

Projections: Garner projections proficiency. Learn modeling, forecasting and sensitivity analysis.

Exit Strategy: Have one

PRIVATE EQUITY ARBITRAGE

Company A	\$	Company B	\$
Revenue	\$ 20,000,000	Revenue	\$ 100,000,000
EBITDA	\$ 3,000,000	EBITDA	\$ 20,000,000
EBITDA Margin	15%	EBITDA Margin	20%
EBITDA Multiple	4x	EBITDA Multiple	9x
Value	\$ 12,000,000	Value	\$ 180,000,000
Tax (30%)	\$ 3,600,000	Add Company A	\$ 3,000,000
Cash Take Home	\$ 8,400,000	New Combined EBITDA	\$ 23,000,000
		New Value	\$ 207,000,000
		Gain in value	\$ 27,000,000
		Arbitrage Gain	\$ 15,000,000

Private Equity firms know what they are doing

ROCKLAND TRUST OVERVIEW

Founded in 1907, Rockland Trust is one of the largest publicly traded commercial banks headquartered in Massachusetts.

We are comprised of retail branches, commercial lending centers, Investment Management Group offices, and residential lending centers that span from Boston to Cape Cod, Providence to Metro West.

Employees	Over 1,700
Customers	Approximately 390,000 consumer, business, municipality and non-profit relationships
Branches	Over 120
Commercial Lending Centers	21 throughout MA and RI
Investment Management Centers	11
Financial Highlights	Assets: Over \$19 billion Deposits: \$15 billion Assets Under Management: \$6.1 billion Number of Commercial Relationships: Over 55,500 Lending Capacity: Up to \$75 million

We are the sole banking subsidiary of Independent Bank Corp. (NASDAQ: INDB).

WE'RE A FULL-SERVICE COMMERCIAL BANK.

In addition to flexible lending solutions, we can help your business with a variety of other products and services, including checking, saving, and money market accounts*; CDs, and Insured Cash Sweep (ICS®)*; investment products and services; credit cards, loans, and mortgages; and a variety of specialized products for businesses including:

- **Lending Services**
 - Commercial
 - Small Business
 - Residential
- **Treasury Services**
 - Retail/Commercial Accounts
 - Treasury Management
 - Electronic Banking
 - Credit Card Processing
- **Investment Management**
 - Wealth Management
 - Retirement Services
 - Succession Planning
 - Insurance

SPONSOR FINANCE / LEVERAGED LENDING

The Rockland Trust leveraged lending team is highly proficient in leveraged transactions:

- Platform Acquisitions & Add-ons;
- Recapitalizations;
- Debt Refinancing;
- Management Buyouts;
- ESOP Conversions.

Parameters

- **Geography:** Contiguous United States; Either the financial sponsor or the company must be in New England or New York.
- **Debt Types:** Term Loans; Lines of Credit.
- **Collateral:** First lien on ABA; Pledge of stock.
- **Structure:** 5- year term loans and Lines of Credit; Up to a seven year amortization; May be tired depending on deal structure with a potential excess cash flow recapture component.
- **Leverage:** Up to 3.5x Senior; up to 5.0x Total.

Dedicated Team

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