

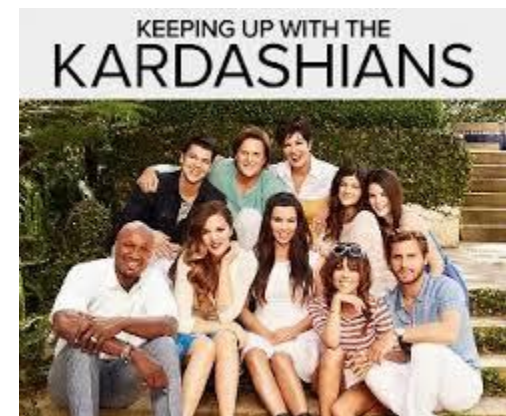


Investment Banking Process:

The Journey to a Closing

March 18, 2016

Family Businesses



Agenda

- ◆ Possible alternatives
 - Strategic
 - Private Equity
 - International
- ◆ Overview
- ◆ Positives/Negatives
- ◆ Sale Process
- ◆ Recommendation

Strategic Sale Option

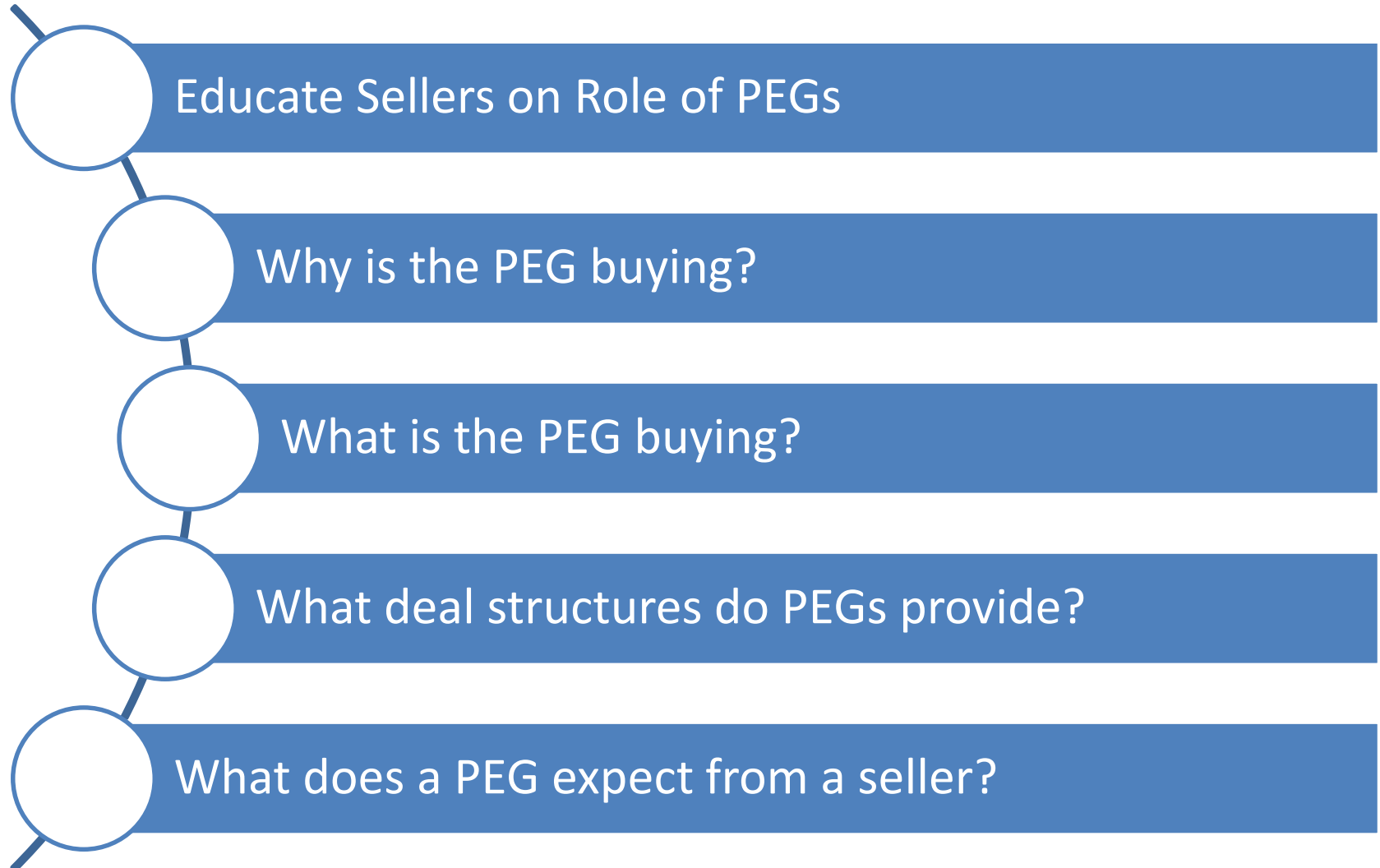


Some buyers have the ability to pay a premium for the Company

Synergistic buyers look to improve their return on the business primarily by cutting expenses.

Strategic buyers are usually already committed to a course of action

The purchase of a particular company furthers that course of action at a lower price than could otherwise be achieved



International Sale Option





Positives

Maximize the price received

Owner cashes out 100%

Ability to retire completely

Negatives

Owner loses his job and control (identity, income stream, etc.)

No future value is available

Taxes and Fees Paid

Employees could lose their jobs



Positives

Can provide ownership transition options

Can provide operational and market expertise

Bring Professionalism to the transaction process

Negatives

There is a timeline to an exit

Driving earnings and/or growth is a priority

Will have to professionalize the organization



Positives

Strategic imperative often drives attractive valuation

Synergies are often significant

Similar positives to corresponding domestic buyers

Negatives

Cultural differences may lead to miscommunication

Logistics

Some cultures act slowly

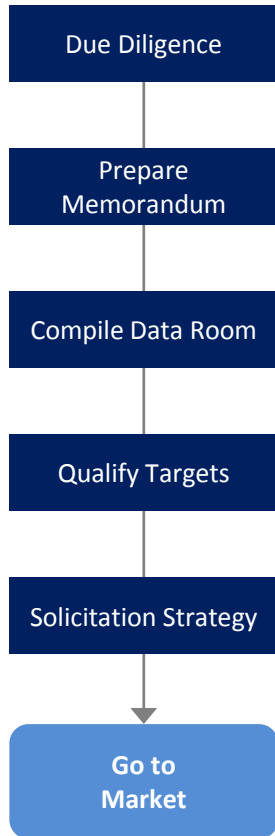
Similar negatives to corresponding domestic buyers

Buyer Comparison

Issue	Strategic Buyer	Financial Buyer
Confidentiality	High concern	Modest concern
Consideration	Cash + occasionally an earn out	Cash + equity + seller paper
Rollover Equity	Not required	Required
Earnout	Used as a bridge between value expectations	Depends on valuation expectations and rollover equity
Management Continuity	Importance depends on buyer	Critical for platform acquisitions, less so for add-ons
Consolidation Savings	Synergies will be key (e.g., back office)	Applicable if add-on transaction
Due Diligence	Require a “clean” company	Flexible around specific issues
Financing Contingency	Rarely an issue	Depends upon amount of debt required

Sale Process

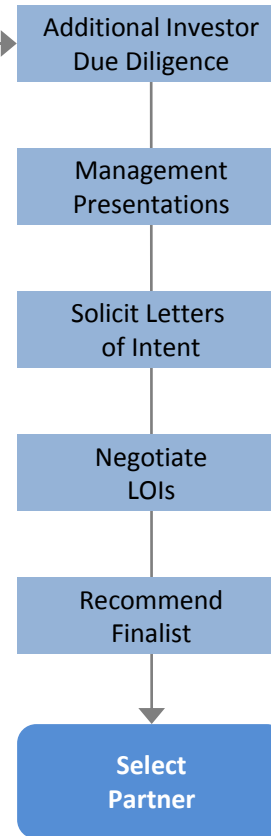
Planning & Preparation



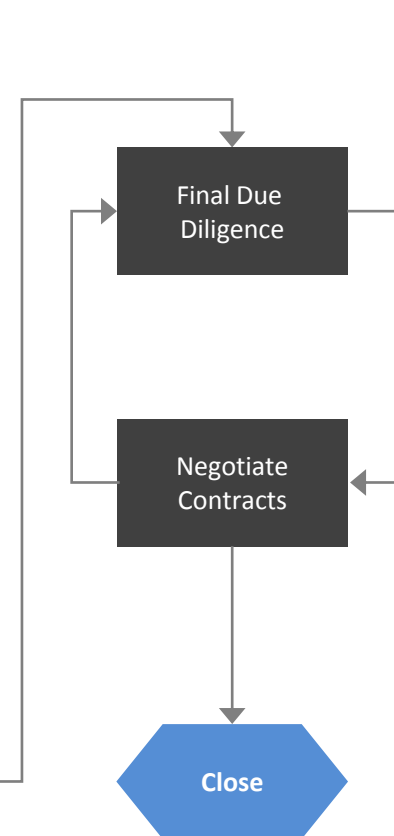
Marketing



Negotiation



Closing



Questions for Buyer during the Process

◆ Strategic

- How many acquisitions have they made?
- Validate synergies
- How will the Seller fit into the overall organization post-closing? Reporting structure?
- If there's an Earnout, how does the Seller benefit from know-how shared with other parts of the Buyer's organization?

◆ PE

- Are they an independent sponsor or do they have a fund?
- What are their other portfolio companies?
- Do they have domain expertise?
- Try to speak to CEOs in their portfolio

◆ International

- How many US acquisitions have they made?
- Do they plan to make you the US headquarters?
- Opportunity to visit buyer HQ before closing?