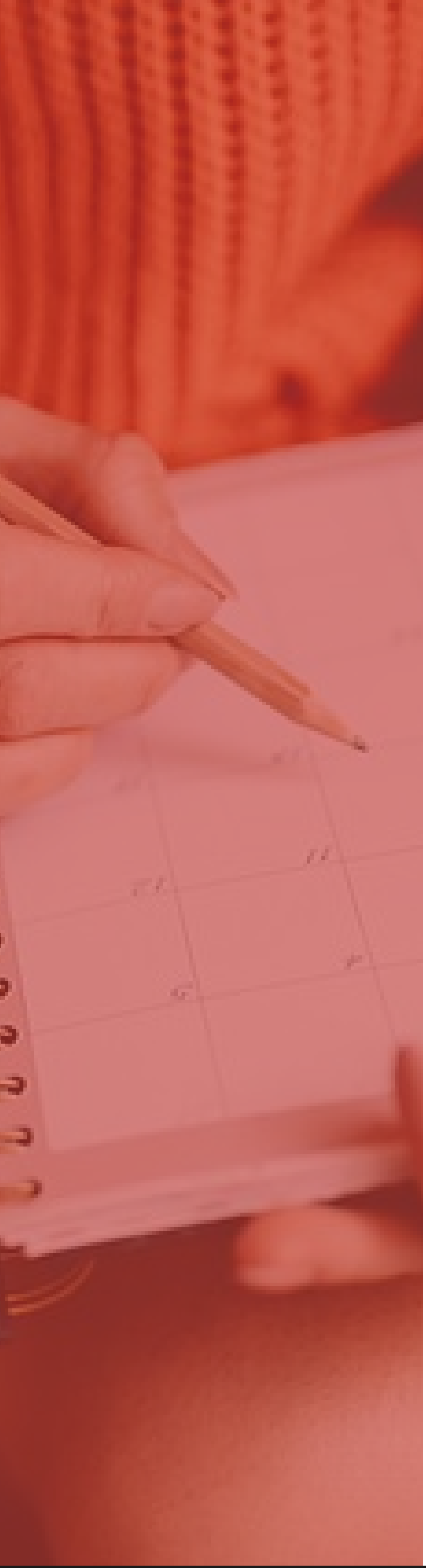
EXECUTING AN M&A STRATEGY

How Can I Plan for A Successful Exit or obtain Growth Capital?

ALIGN BUSINESS ADVISORY SERVICES | August 2020



TABLES OF CONTENTS

BASICS

M&A DEFINED AND MARKET CONDITIONS

M&A refers to the combination of a business entity, in whole or in part, with another. The strategy is that the ***sum of the parts is greater than the whole.***

M&A market conditions are extremely favorable for strong businesses:

SUCCESSION
Most owners don't have a plan

FRAGMENTED
Operating in industries ripe for consolidation

PRIVATE EQUITY
63% of portfolios employ buy-&-build strategy

CAPITAL
Record amount of cash available for investment

VALUATION
Multiples remain very high for strong businesses

ANTI-RECESSION
Lower-middle-market deal flow remains strong in times of contraction

Record amounts of capital and significant demand from investors present business owners with tremendous opportunities. Timing is everything, and the timing now couldn't be better.

THE KEY STRATEGIES FOR M&A SUCCESS

There are nine strategies that lead to a successful M&A transaction outcome. Business owners who are proactive and plan for a deal are the ones who maximize value and obtain their desired outcomes. Those who sit back and hope opportunity knocks on their door leave millions on the table, or worse, wind up with the wrong investment partner.

1 **Strategy**: What do you want out of a deal?	2 **Emotion**: Leave your emotion at the door	3 **Opportunity**: What upside will you forgo if you pass?
4 **Chemistry**: Make sure you like the other party	5 **Financials**: Get your books in order, limit personal exps	6 **Valuation**: Listen to what the market tells you is fair
7 **Deal Terms**: there is more to a deal than just price	8 **Due Diligence**: painful, but necessary	9 **Deal Team:** It takes a village to get a deal done

A study found that businesses who employ a team of M&A and legal advisors to facilitate a transaction lead to a **50%** increase in value received. Many business owners feel they can do it on their own, but it is too disruptive a process and there is too much emotion involved to have the objectivity required. By employing the above, business owners can significantly increase their chance of closing a successful transaction.

INVESTORS COME IN ALL SHAPES & SIZES

Most business owners think M&A means they sell their business to a competitor and then they're out on the street. While that can be an outcome should you want that, there are many types of investors and deal structures that present different outcomes.

Private Equity - "Let's Grow Together!"

You have built a great business, but you know it could be so much more. There's more market share to capture, but you need help getting there. That's where Private Equity comes in. These financial investors acquire your business and give you the capital and infrastructure to grow your business 10x. And when they sell it down the road to another financial investor, you will participate in that transaction as well (because you will retain some ownership). This is called the "second bite of the apple," and is as, or more, lucrative than your initial sale of your business. PE wants to be the gas to your flame.

Strategic Acquirer - "You Take It From Here"

You've had a good run, but it's time to pass the torch onto someone else. Other companies in your industry, or similar industries, will acquire your business and allow you to ride off into the sunset when you're ready to do so. Strategics tend to pay more for your business than, say, Private Equity; however, there is no second-bite or future upside. This is a great option for those that want to monetize what they've built and feel good the company and people are taken care of in the future.

Alternative Investors: Venture, Minority, Debt, and more

For those not quite ready to sell their entire business, there are investors who will provide alternative sources of financing to help you grow. In these cases owners can take some chips off the table and allow investors to purchase a minority position (<50%) of the company. They can also provide debt facilities to fund future growth needs. This is a good option for those who want to grow the business before fully exiting to PE or strategics.