

How successfully leveraging the elements of
Mergers & Acquisitions
will improve your transaction in every way

MAKE YOUR ACQUISITION A CAUSE



MERGERS & ACQUISITIONS
FIRST THINGS FIRST

Maximizing Shareholder Value Through A
Professionally Managed M&A Process

Be Acquired. Don't Be For Sale

FORWARD

We are ALIGNMT – a leading provider of business consulting, Mergers & Acquisitions and investor relations. We are experts in strategy, finance and operations and are passionate about helping businesses succeed. Our clients rely on ALIGNMT to assess risk, support financial, investment and marketing decisions, and improve business performance in their daily operations.

We have the opportunity to drive innovation, cultivate insights and build unique solutions for our clients. We take pride in our strengths and believe in cultivating an atmosphere that supports and values our greatest asset: talent.

ALIGNMT LLC is not a broker/dealer, Finra or SIPC member firm and does not, in any way, shape or form, engage in securities transactions...period. ALIGNMT complies in every way with the SEC's M&A Broker rules, which can be found [here](#), when engaging in Mergers & Acquisitions related work.



CONTENTS

Section	Page
Make Your Acquisition A Cause	4
Market Environment	10
The Deal Maker? Value	21
Value Maximizing Process	27
When It's Time	35

Your Transaction

Your transaction is important to you. It is equally important to us. You face unique challenges—challenges that require specialized experience, senior level attention, and proven judgment.

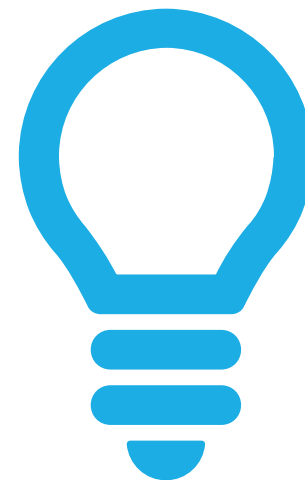
Our Expertise

ALIGNMT professionals assist owners of privately held companies in the sale of their businesses, and work with large private and public corporations in negotiating acquisitions and divestitures

MAKE YOUR ACQUISITION A CAUSE

Creating Opportunities To Be Acquired at Maximum Value

Is the future more motivating than the past?

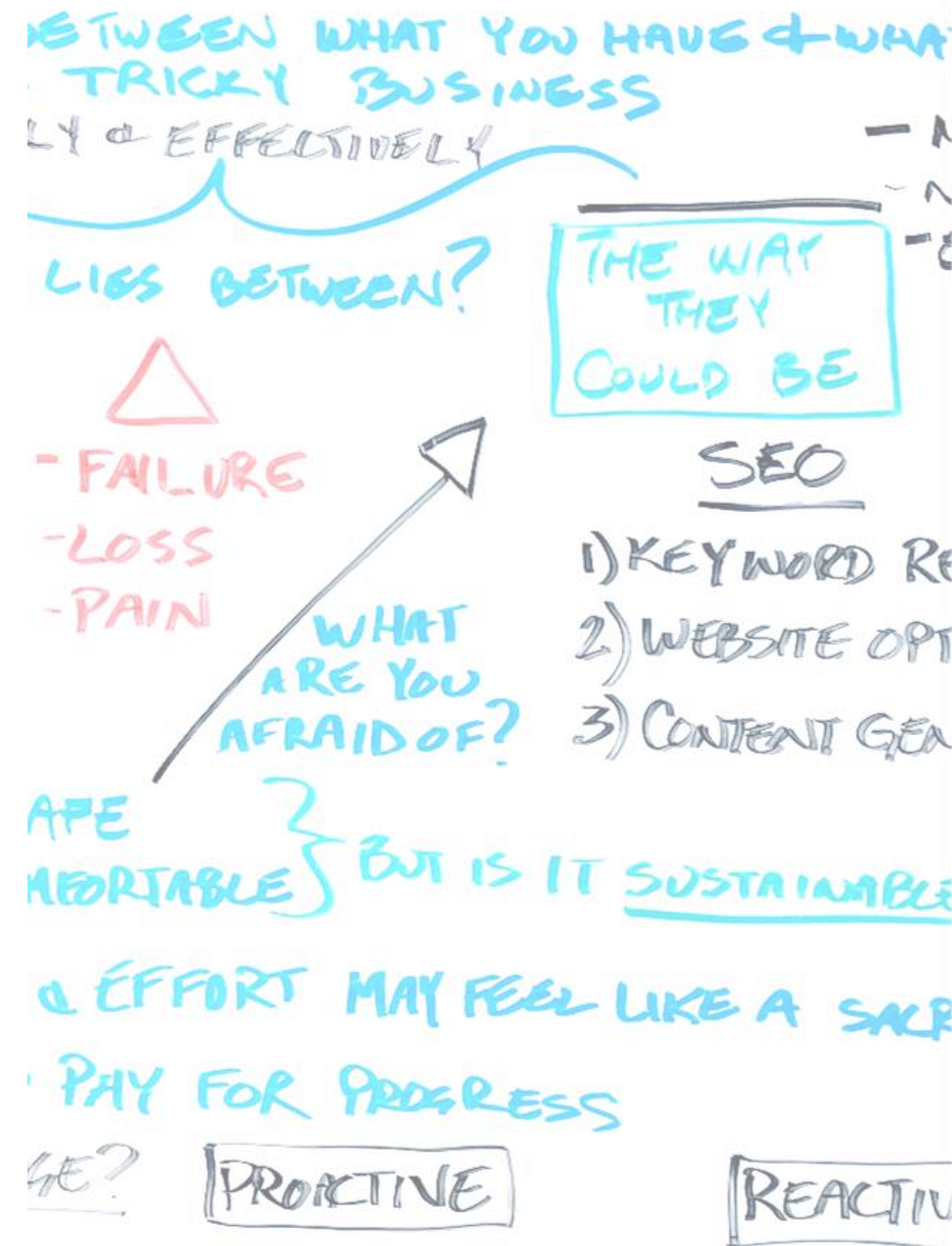


SCALE OR SCOPE

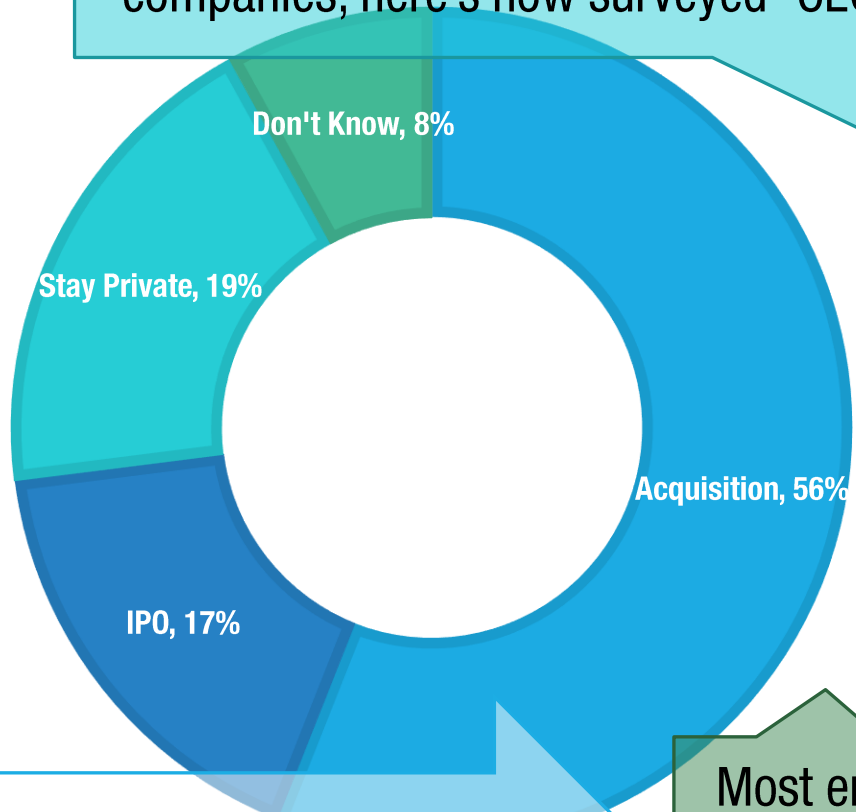
The most fundamental
acquisition rationale

SITUATION OVERVIEW

- › You've been approached by a prospective buyer for your business
- › You're not sure what this means
- › Sounds interesting and the timing could fit your life plans
- › What are your goals for the company, and for yourself?
- › What is your company's unique value proposition and market position?
- › Let's look at M&A market conditions in the broad market and in your company's sector to ascertain characteristics of an optimal buyer
- › Let's discuss M&A sale process documents, milestones and timeline
- › Let's explore strategies to maximize the value of your business while maintaining confidentiality and avoiding operational disruptions
- › What questions do you have about the process, market, etc.?



When asked what their long-term goals were for their companies, here's how surveyed¹ CEOs responded



Build Value to Improve Your Options

Most envision selling their business as the priority transition goal

EXIT STRATEGY

WHAT'S THE MOST REALISTIC LONG-TERM GOAL FOR YOUR COMPANY?

1. Source: Business Insider Survey

STRATEGIC ALTERNATIVES CREATE VALUE

Think about it. Does **building** a business always make more sense than **buying** it?

To reach your goals, you have to take risks, develop constructive routines and make time to listen, learn and reflect

Goals



Creating relevant, viable options means you have different paths to take into the future, all with different risks and rewards

Options



Is your top priority to be acquired?

Awareness changes everything

Priorities



WHAT MAKES A STRONG ACQUISITION TARGET? **THE FUTURE**



Products / Services

- Proprietary
- Competitive
- Defensible
- Evolving



Market Environment

- Growing
- Competitive
- Demand Driven
- Significant



Organization

- Passionate
- Talented
- Organized
- Relevant

MARKET ENVIRONMENT

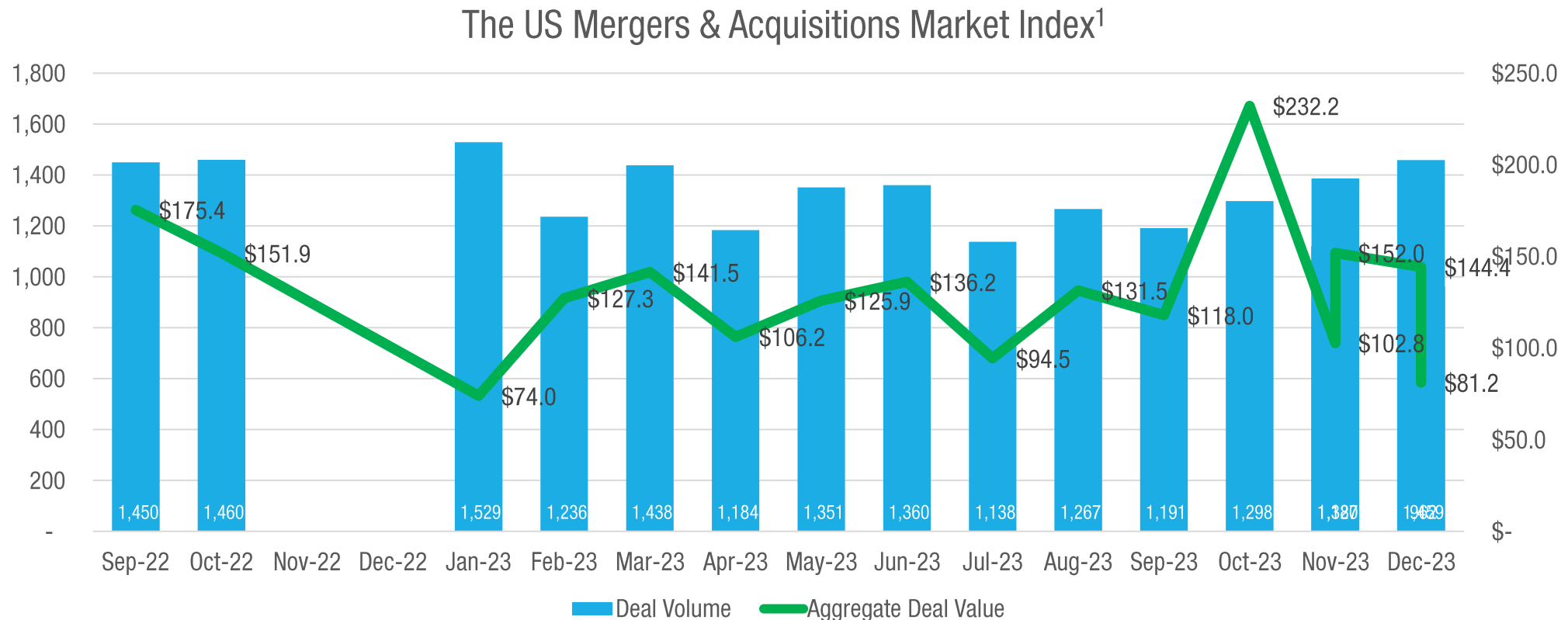
Understanding current market trends enables us to ascertain:

- › M&A target characteristics
- › Buyer appetites
- › Valuation metrics
- › Transaction opportunities

WHAT TO LOOK FOR IN 2024

- › 2024 will likely present many challenges and opportunities when it comes to deals
- › The total value of the U.S. M&A market has fallen for seven straight quarters through Q4:2023
- › Seven interest rate hikes have made leverage more expensive and difficult to secure, pressuring valuations
- › The most significant shift in the economic and financial landscape has been the development of global inflation to the highest level in four decades
- › A move into recession in 2024 could expose financial fragilities arising from the long period of ultra-low interest rates in which investors searched for yield regardless of risk
- › The need for speed in business transformation, which is accelerating thanks to technological advances and the evolving economy, will keep dealmaking front and center
- › The fastest way to transform a business is through M&A, divestitures or other deals

M&A ACTIVITY: THE BIG PICTURE



1. Source: FactSet Flashwire US Monthly, January 2024

YEAR OVER YEAR M&A COMPARISON

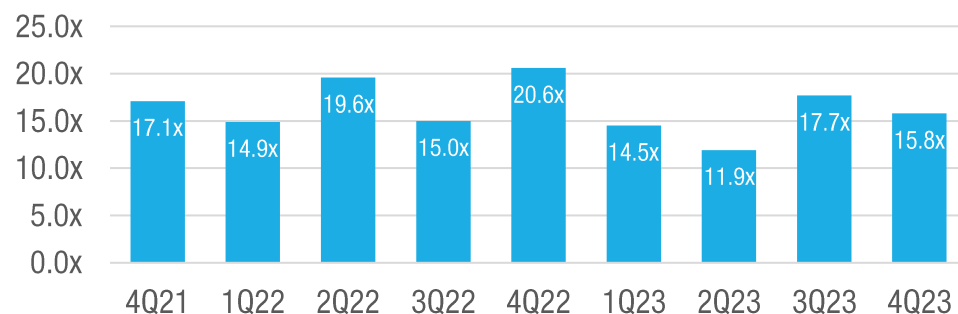
	Number of Deals		
	12 Months Ended		
Deal Size	12/31/23	12/31/22	Change
\$1 Billion +	286	330	-13.3%
\$500M to \$999.9M	214	262	-18.3%
\$250M to \$499.9M	246	371	-33.7%
\$100M to \$249.9M	406	588	-31.0%
\$50M to \$99.9M	317	471	-32.7%
\$25M to \$49.9M	345	515	-33.0%
\$10M to \$24.9M	405	683	-40.7%
Under \$10M	1,109	1,430	-22.4%
Undisclosed	<u>11,746</u>	<u>14,448</u>	<u>-18.7%</u>
Total	15,074	19,098	-21.1%

Aggregate Transaction Value (\$Bil)			
12 Months Ended			
12/31/23	12/31/22	Change	Ave. P/E
\$1,191.9	\$1,407.8	-15.3%	24.8
149.9	180.8	-17.1%	28.7
85.1	130.1	-34.6%	12.2
62.8	92.9	-32.4%	24.5
22.5	33.3	-32.5%	11.8
12.2	18.3	-33.1%	18.3
6.7	11.1	-39.8%	23.0
3.0	4.4	-31.0%	7.3
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$1,534.2	\$1,878.7	-18.3%	22.5

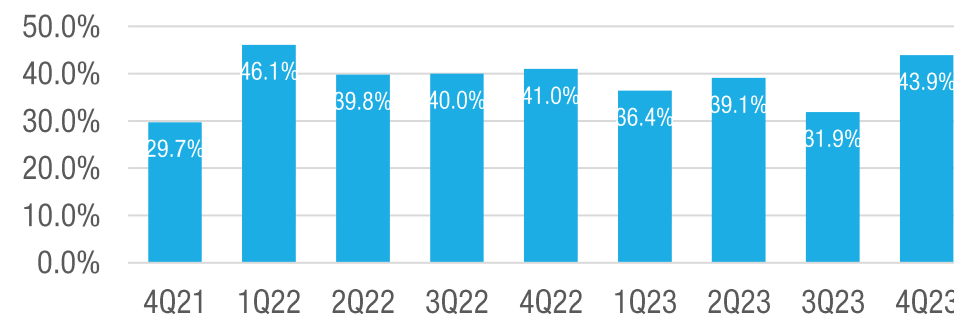
1. Source: FactSet Flashwire US Monthly, January 2024

VALUATION TRENDS

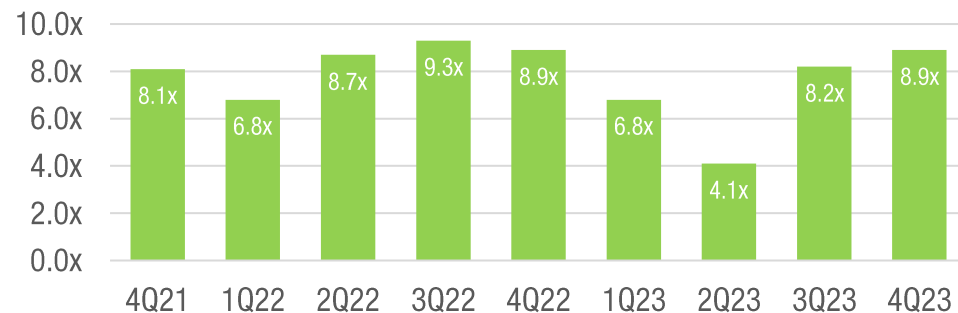
Median P/E



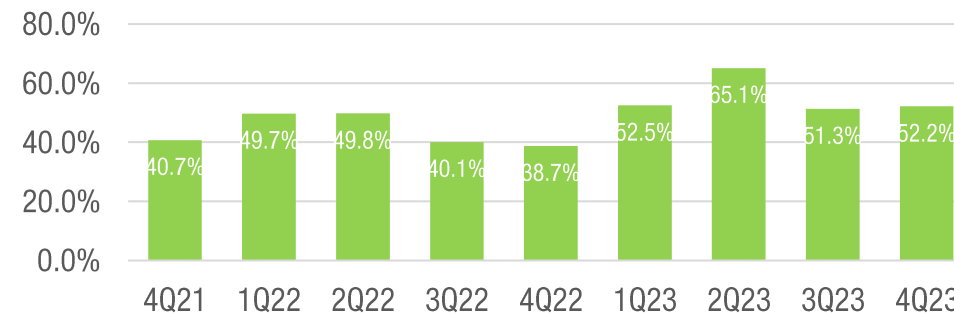
Median Premium



Median EV/EBITDA



Median Premium



1. Source: FactSet Flashwire US Monthly, January 2024

TRANSFORMATIONAL TRENDS

- › **Ensure corporate strategy is relevant**—Given economic uncertainty, it may make sense to consider strategy now.
- › **Consider organic capacity**—If your strategy has shifted or should shift, companies must assess whether they have the assets and capabilities to effectively change direction organically. This includes an assessment of talent, intangible assets and time. If organic change is likely to be slow, a deal could dramatically speed up the process.
- › **Prepare an Alignment Map**—Make this a regular part of your business strategy process – it is particularly important when considering a company’s ability to execute on its strategy. An Alignment Map may reveal opportunities for divestitures that could free up capital and management attention, as well as uncover the potential for acquisitions.
- › **Evaluate transactional capabilities**—C-suite leaders need to have a plan not only to carry out the deal but to ensure that it delivers on a transformation promise. Value creation goes well beyond integration. Deals in the coming year will have clear value creation plans to harness the value and drive the required capital returns. This includes detailed integration planning and a strategy for retaining key talent in a newly acquired business unit.

BE ACQUIRED, DON'T BE FOR SALE

If you want your business to be acquired by the best buyer at its maximum possible value, adopt these five vital principles





The fair market value of a business is the price a willing buyer will pay a willing seller in an arm's length transaction where both parties are duly informed of the relevant facts

APPROACH & ELEMENTS OF VALUE

SYNERGY CAPTURE ON THE RISE

Many industries have experienced strong value appreciation by realizing robust synergies through M&A deals with well-positioned target companies

VALUE is determined by the MARKET



Identify Synergies

M&A synergy capture is on the rise, creating accelerated revenue, market share grab and profit maximizing opportunities



Quantify Value

Attraction to business models with strong growth potential, large market opportunities, recurring revenue and scalability.



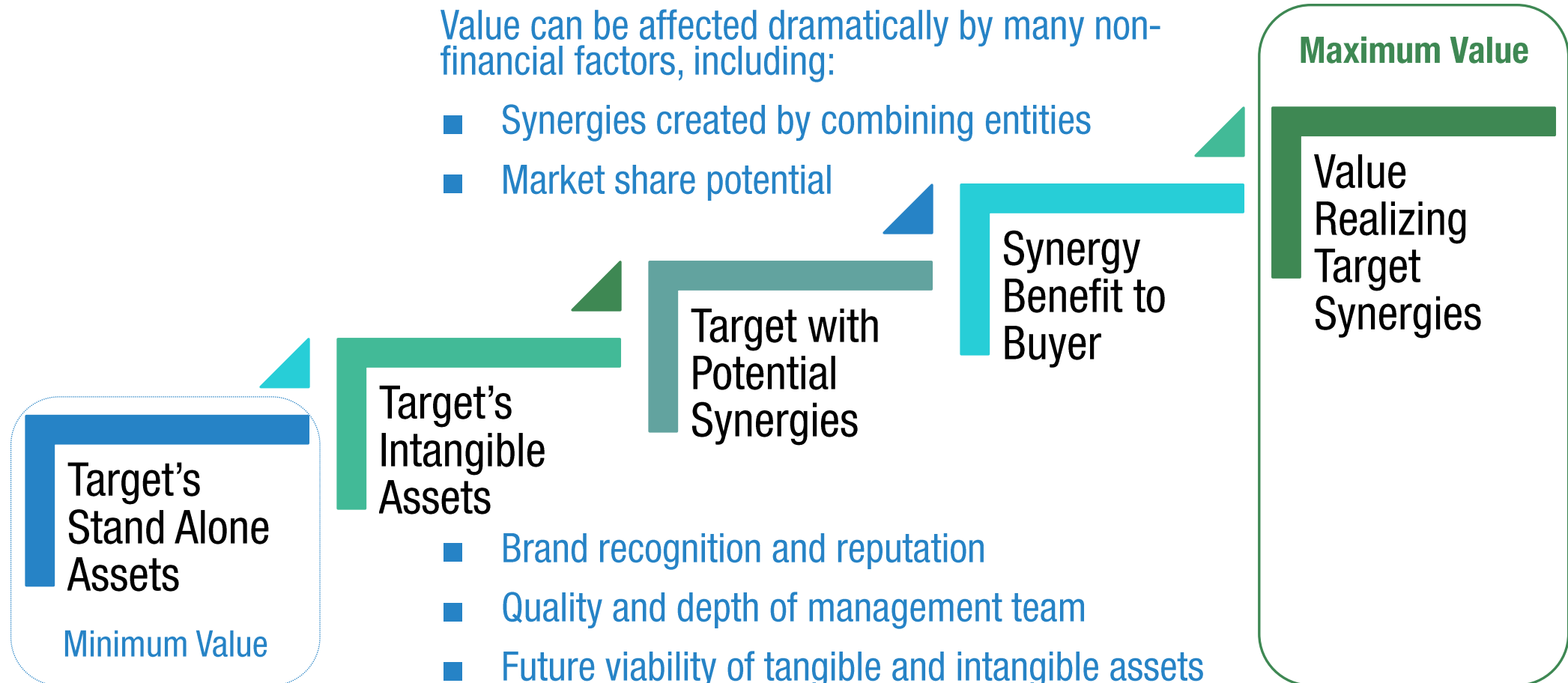
Achieve Results

Acquisitions build scale and capabilities for larger, more diversified entities

M&A VALUATION: THE SPECTRUM

Value can be affected dramatically by many non-financial factors, including:

- Synergies created by combining entities
- Market share potential



ARE YOU A STRONG ACQUISITION TARGET?

Does your business have inherently valuable synergies that would benefit other players in your immediate space or for a vertically integrated business?



What is your motivation to be acquired?

Make your acquisition a cause!

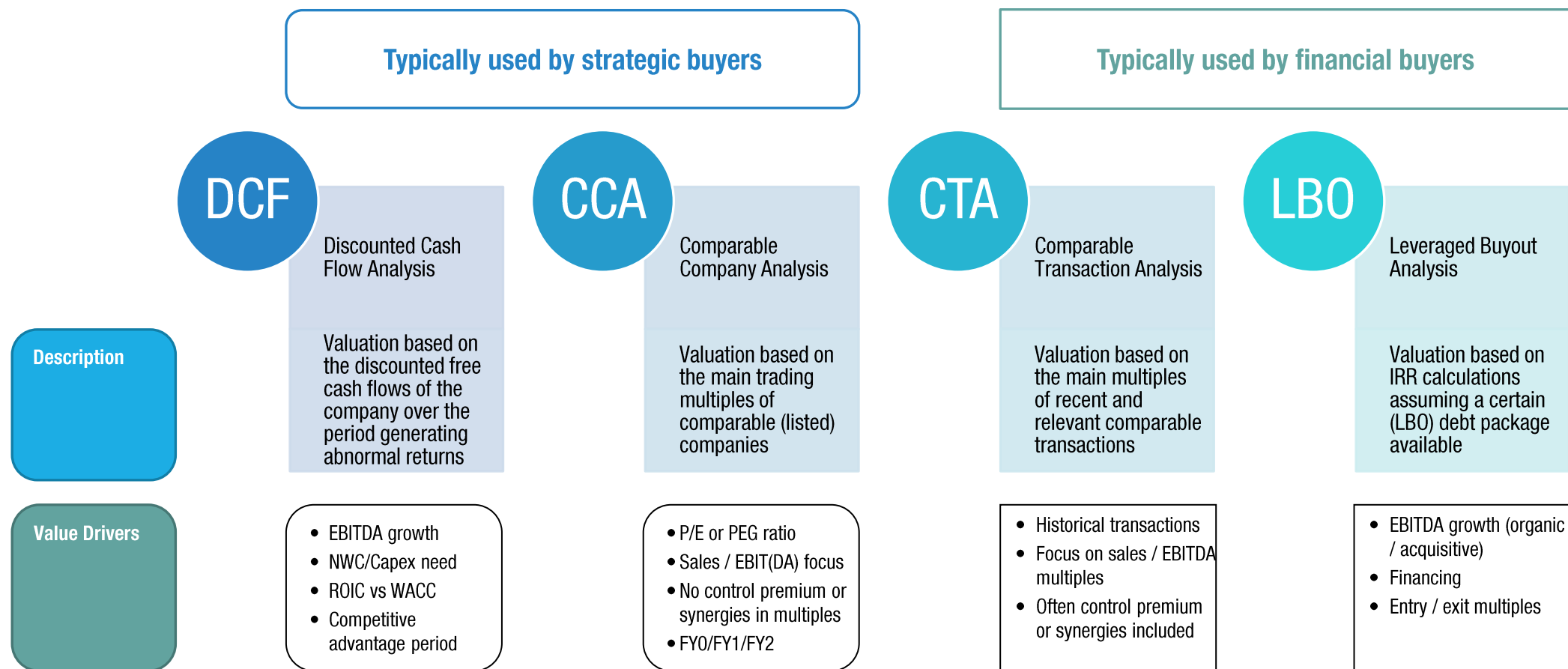
A background image of a woman with short brown hair and glasses, smiling and looking to the right. She is wearing a light blue button-down shirt. The image is semi-transparent, allowing the text to be overlaid.

VALUE

THE DEAL MAKER?

All M&A transactions come down to both the buyer and the seller agreeing on valuation, structure and terms

UNDERSTAND VALUATION



THE ESSENCE OF RELATIVE VALUATION

In relative valuation, the value of an asset is compared to the values assessed by the market for similar or comparable assets

To do relative valuation:

- 1) We need to identify comparable assets and obtain market values for these assets
- 2) Convert these market values into standardized values, since the absolute prices cannot be compared This process of standardizing creates price multiples
- 3) Compare the standardized value or multiple for the asset being analyzed to the standardized values for comparable asset, controlling for any differences between the firms that might affect the multiple, to judge whether the asset is under or over valued

STRATEGIC V. FINANCIAL BUYERS

Strategic Buyers

Pros

- ✓ Tend to be able to pay a higher acquisition price because of revenue or cost-based synergies
- ✓ Can move more quickly in due diligence because they have industry expertise
- ✓ May be able to pay cash or equity and have little need or risk of raising debt

Cons

- x Have multiple considerations when buying a company, whereas financial buyers are purely focused on return on investments (IRR and money multiple)
- x May have a more complex internal governance review processes
- x May lack experience in M&A, this could delay execution process

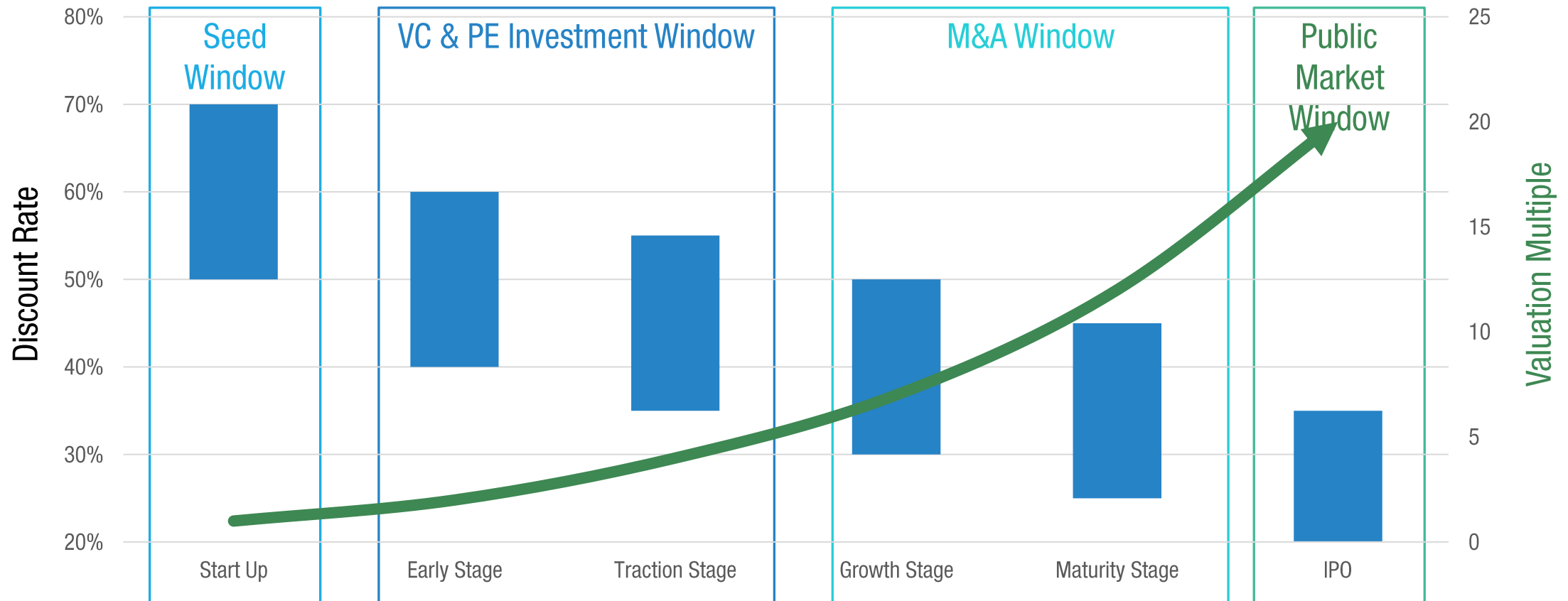
Financial Buyers

- ✓ More experienced in M&A processes, as buying and selling companies is their business
- ✓ Unlikely to waste time in the process, in general no motive to prolong process – e.g. to gain access to commercially sensitive information
- ✓ If already invested in the sector – may be able to act as a strategic buyer
- ✓ May put a new management team in place that can help with various management issues
- ✓ Have capital to invest – recent lack of opportunities mean that increasingly PE investors have funds available

- x May lack synergies resulting in lower price
- x May have much shorter investment horizon, possibly leading to short term (3-5yrs) strategic decisions
- x If first investment in relevant sector, may take time post acquisition to understand the business thoroughly
- x If existing management is not strong, might be replaced by PE's own management team – may lead to substantial initial dislocation internally
- x May use substantial debt leverage, need for strong financial discipline

RISK AND VALUE EVOLUTION

THE LONGER A BUSINESS SURVIVES AND THE MORE SUCCESS IT ACHIEVES MITIGATE AGAINST PERCEIVED FUTURE UNCERTAINTY AND RISK, BUILDING VALUE EVERY STEP OF THE WAY



TRANSACTION SCOPE IMPACTS VALUE

- › Bilateral
- › Limited Auction
- › Full Auction
- › Strategic Buyers
- › Financial Buyers

Sale



- › Economies of Scale
- › Economies of Scope
- › Complementary Supply Chain Factors
- › Geographic Benefits
- › Merger of Equals

Merger



- › Multi Generational Ownership
- › ESOP
- › Financing Considerations

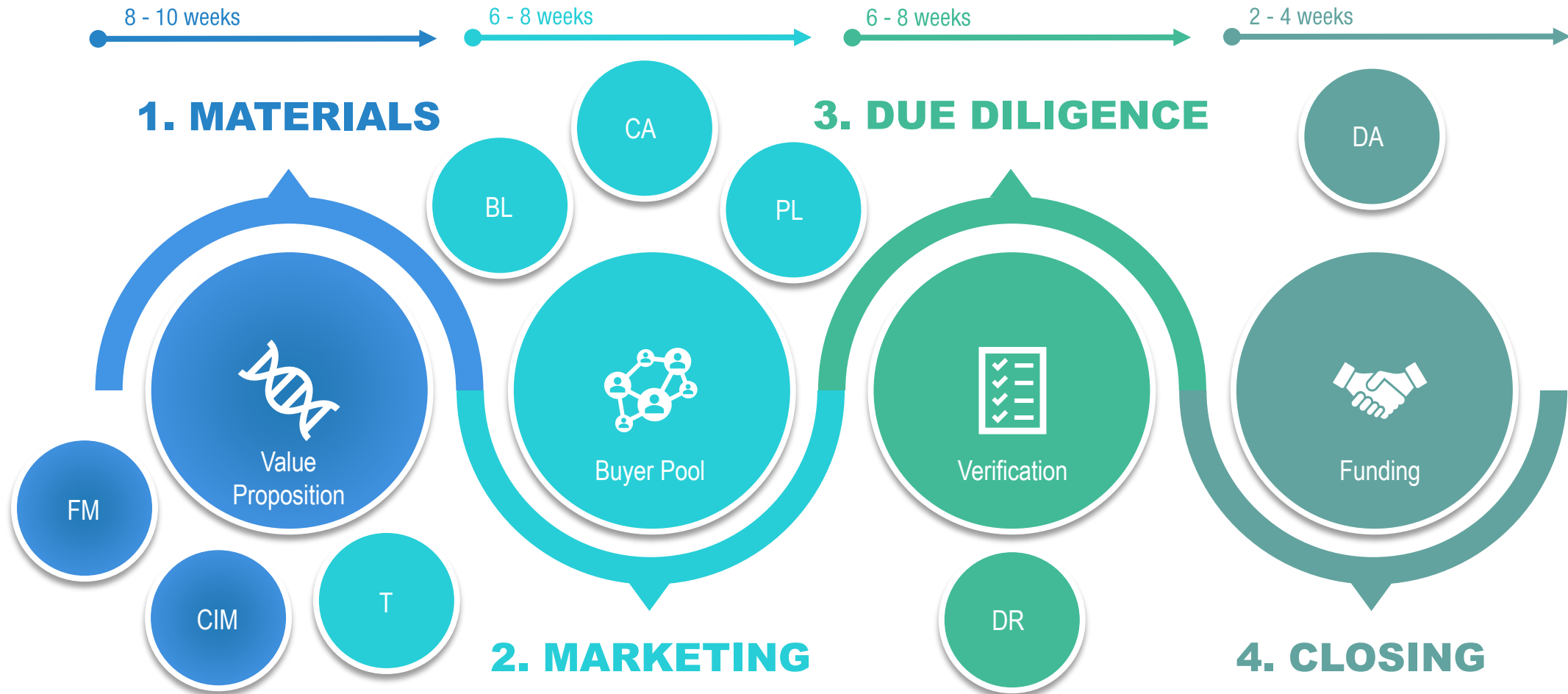
Succession



VALUE MAXIMIZING PROCESS

Process integrity is key to creating opportunities and making an informed decision

M&A SALE PROCESS MILESTONES



MATERIALS: TELL YOUR STORY

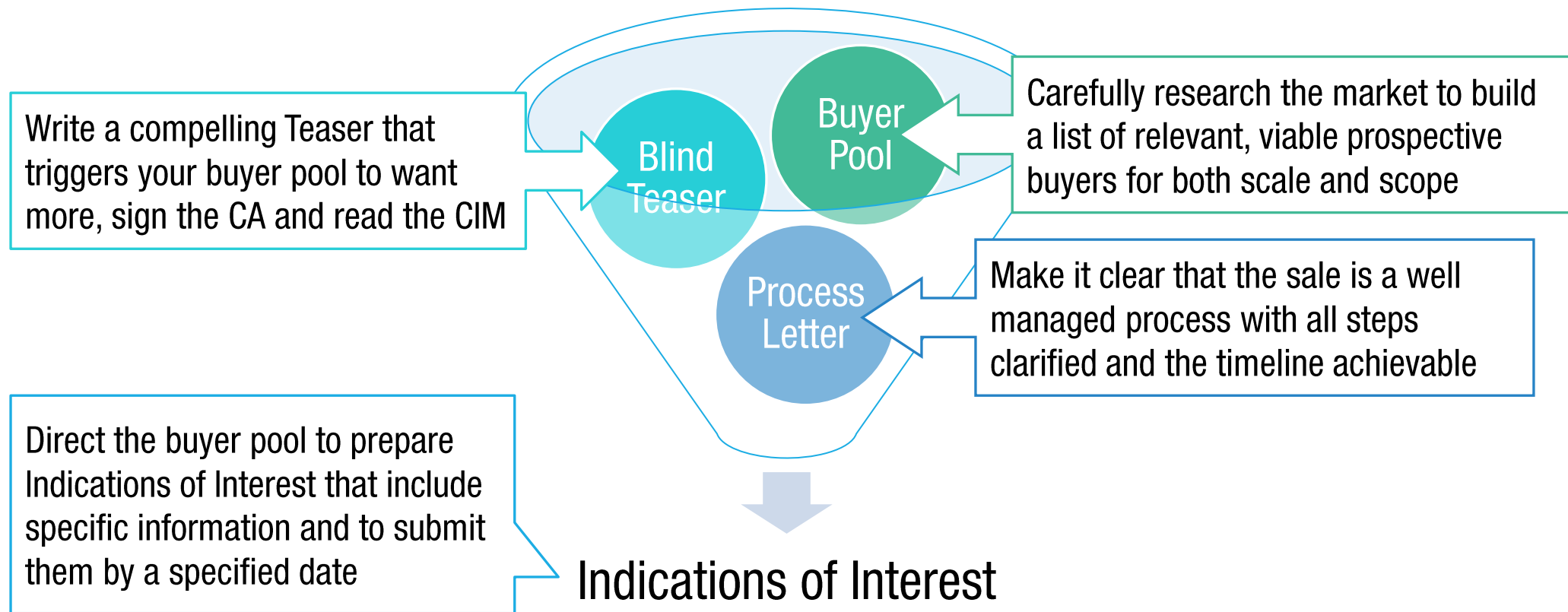
Financial Model

- 1) Use past three years and TTM of historical financial statements to adjust any non-recurring or discretionary expenses to show the Company in a value maximizing light
- 2) Select relevant Key Performance Indicators that support valuation and show favorable future trend of growing financial strength
- 3) Prepare achievable financial projections of all three financial statements for current year plus five future years
- 4) Prepare all financial and KPI reports and charts

Confidential Information Memorandum

- 1) You get only one chance to make a first impression—so stand out
- 2) There are two ways to tell your story. One is with numbers, the other is with words—this is your CIM
- 3) Emphasize your unique characteristics and what sets you apart from your competition
- 4) Your book is how to establish business value in the M&A sale process, and will direct prospective buyers on value expectations
- 5) There is no ‘asking’ price, so be sure to highlight all your value drivers with credibility

MARKETING: CONTROL THE PROCESS



DUE DILIGENCE

Simplify Verification

- › Due diligence is the process of verifying expectations
- › The offer your buyer prepared is based on a significantly more complicated calculation than they have identified in writing, and the facts must be checked
- › As part of the deal there will likely be some adjustments made at closing including cash balance, accounts receivable and payable, etc.; mostly working capital components
- › There is also the process of verifying all contracts, employee matters, supply chain integrity and any potential liabilities
- › In the Materials we set expectations, so the CIM is a good checklist for organizing your data room
- › Buyers appreciate simplicity, transparency and credibility

CLOSING & FUNDING: NO LOOSE ENDS

- › You're almost there
- › You created great materials that showed prospective buyers what the future could look like
- › You ran a tight process, eliminating popcorn, and generating competitive Indications of Interest
- › You negotiated effectively and selected the winning bidder
- › You made it through due diligence and are finalizing closing adjustments
- › Be reasonable with working capital calculations and don't let any loose ends get in the way of closing and funding
- › Then it's a done deal

ESTABLISHING YOUR OBJECTIVES

FINANCIAL

- › Balance Sheet
- › Income Statement
- › Cash Flow
- › Growth Trajectory

ORGANIZATIONAL

- › Management & Employees
- › Oversight
- › Strategic Direction
- › Option Preservation

OPPORTUNITY

- › Products & Services
- › Sales & Marketing
- › Process & Systems
- › Capacity & Capital Expenditures

ACHIEVING THE GOAL

ALIGNMT assists every step of the way to achieving the highest possible value by running a thorough process:

- 1) Establish process documents, milestones and timetable
- 2) Develop a financial model to present adjusted historical and projected financial statements to support your value proposition
- 3) Prepare Confidential Information Memorandum, Blind Teaser and Process Letter and other documents as needed
- 4) Research, identify, contact and assess interest of potential buyers
- 5) Manage selected auction process
- 6) Oversee due diligence process and data room
- 7) Evaluate bids and make recommendations to Company's shareholders
- 8) Negotiate definitive transactional terms
- 9) Assist in closing of transaction

A dramatic photograph of a sunset over the ocean. The sun is low on the horizon, creating a bright orange and red glow that reflects on the water. Waves are breaking in the foreground, and a dark, rocky coastline is visible in the background under a hazy sky.

WHEN IT'S TIME

All business owners will exit at some time, whether via selling, transitioning out or a succession plan.

Want to maximize value when it's time for your acquisition?

TIME FOR STRATEGIC ALTERNATIVES?

- › You're ready to sell your business?
- › You need to know what matters and what doesn't matter when it comes time to begin the process.
- › Yes, it's a process that when run expertly will result in the opportunity to sell to the best buyer for the highest value.
- › There are no shortcuts.
- › The valuation equation is complicated and everything about your business and around you matters.
- › Be acquired. Don't be for sale.



THE ALIGNMT APPROACH

- › ALIGNMT management has advised around **500 companies** in driving change efforts within growth and competitive strategy, margin and performance improvement, mergers and acquisitions, and investor relations
- › We've created **thousands** of custom financial models, valuations, business plans, pitch decks, confidential information memoranda, management presentations and every other imaginable business document, presentation, analysis and report
- › Our professionals have helped buyers and sellers transact around **30 M&A deals*** with an aggregate value near **\$500 million**
- › We have relevant experience in industry verticals including consumer, healthcare, industrials, services, technology and transportation

* Transactions often involve consolidations or multiple entities being acquired

THE PROCESS



Financial

- Presentation
- Historical
- Adjustments
- Projections



Rationale

- CIM
- Unique
- Proprietary
- Value



Audience

- Buyer List
- Best Buyer?
- Marketing
- Closing

SELECT ENGAGEMENTS—CONSULTING



Strategic Advisor
to Midaxo



Strategic Advisor
to Primordial Genetics



M&A Advisor
to Airway Lease



M&A Advisor
to Knobs.co



Strategic Advisor
to Zapways



M&A Advisor
to VendorRate



Valuation Advisory
to ROM3 Rehab



Strategic Advisor
to Infovisionix

Precision Pump & Machine Inc.

Has been acquired by



M&A Advisory
to Precision Pump and Machine



Strategic Advisor
to airbahn

SELECT ENGAGEMENTS—M&A

**Robinson
Construction Co.**

Has been acquired by



M&A Advisory
to Robinson Construction



Has been acquired by



M&A Advisory
to AOP Industries



Has been acquired by



M&A Advisory
to Palace Entertainment

HOLT Value Associates

Has been acquired by



M&A Advisory
to HOLT Value Associates

Integrated Marketing Concepts

Has been acquired by



M&A Advisory
to Integrated Marketing Concepts



Has been acquired by



M&A Advisory
to Harden Industries



Has been acquired by



M&A Advisory
to Epmar



Has been acquired by



M&A Advisory
to Micro Pulse

**ALFA ALFA
HOLDINGS**

Has been acquired by



M&A Advisory
to Palace Entertainment



Has been acquired by



M&A Advisory
to D&D Associates

SELECT ENGAGEMENTS—IR



Investor Relations Advisory
to APWR



Strategic Advisor
to Quartics



Investor Relations Advisory
to BESN

SHINE MEDIA

Investor Relations Advisory
to SHND

PanZoom

Strategic Advisor
to PanZoom



Strategic Advisor
to Primordial Genetics



Strategic Advisor
to Autofusion



Investor Relations Advisory
to BMTS



Strategic Advisor
to Omatic



Strategic Advisor
to ROM3 Rehab

CONTACT

Purpose. Meaning. Progress. Achievement. These are my motivations in business and life.

I help businesses align their goals, resources, challenges and imperfections by defining and pursuing paths to success. My M&A, management consulting and entrepreneurial experience combine to help companies that struggle to reach their growth, productivity and efficiency objectives.

Whether it's strategy, finance, operations or strategic issues within an organization, getting to the core dysfunctions, distractions and inhibitors and conveying simply and accurately the most viable value proposition is essential. That's where I come in.

If you need help defining your business goals, crafting an effective strategy to pursue these goals and managing the ongoing financial and operational elements, we should talk. I've advised or supported over 400 companies in my time.

If you want to sell a business, it must have value in the eyes of a buyer. Value is the result of careful planning, precise execution and luck, usually over the long-term.

If I can't be of service to you directly, I may know others who can meet your needs. Building lasting, valued relationships is fundamental to establishing trust and reliability.



Ian Shanno | Managing Director

is@alignmt.com



www.linkedin.com/in/ianshanno



www.facebook.com/ian.shanno



www.twitter.com/ianashanno



alignmt.com/blog



+1 (858) 345-7720

