As a discipline, it's not *any* kind of action that will do, but **directed** action. Everything must be done in the service of the whole.

Step by step, action by action, we'll dismantle the obstacles in front of us.

ALIGNMT

DISCIPLINED FINANCIAL MANAGEMENT

Action is the solution, the cure to our predicaments

FORWARD

We are ALIGNMT – a leading provider of business consulting, analysis and outsourcing services. We are experts in strategy, finance and operations and are passionate about helping our clients 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: experience.

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.

If you want to sell securities, get a registered Finra member.

We are not lawyers either. If you want legal advice, get a lawyer.

ALIGNMT

CONTENTS

Look not at the obstacle but at the opportunity within it

THE BIG IDEA IN 200 WORDS

Think for a moment what happens when you're short on critical resources:

You expose your business to excessive risks and inefficiencies. What happens?

Missed opportunities, wasted time, operating losses, morale issues and more.

And this is always bad news.

Because once your business is misaligned and off balance, getting back on course can be an elusive exercise in futility.

There are a lot of moving parts in every business: products and services, sales and marketing, goals and objectives, market presence, your organization chart, job descriptions and employees to name a few. This means there are a lot of opportunities to disconnect, which is why no business, large or small, can afford to make avoidable mistakes and leave success up to the largest variable in the equation: chance.

Now you have access to the one advantage that could straighten everything out for your business and employees—ALIGNMT. We to drive innovation, cultivate insights and build unique solutions for our client companies. We take pride in our strengths and believe in cultivating an atmosphere that supports and values our greatest asset: **experience**.

ALIGNMT is dedicated to the economic upside of helping every company operate efficiently every day in ALIGNMT

WHAT DO YOU WANT TO KNOW?

The only way to truly get to the root causes of all the outcomes of your activities: good and bad

What did you set out to do, and how close did you come to achieving it?

FACT

How do the results affect your available resources?

IMPACT

What is your action plan to improve future results of operations?

TAKEAWAY

ALIGNMT

YOU CAN'T GET SOMEPLACE NEW BY STAYING WHERE YOU ARE

CHANGE HAPPENS

- **Innovation**—When your organization needs to optimize internal business processes and workflows, simplify documentation and improve employee and customer experience, innovation is great for business.
- **Quality**—When your business demands accurate, relevant and timely financial reporting.
- **Expansion**—Acquisitions, rapid organic growth and IPO-driven growth can present major financial challenges that a corporate finance consultant can help overcome.
- **Contraction**—Conversely, a company’s strategic plan or the shifting economy may result in divestitures of one or more business units or downsizing via cutbacks in operations. In addition, a distressed business may benefit from the turn-around guidance that outsourced CFO services can provide.
- **Special Situations**—M&A integration, financial modeling, financial restatements and deal evaluation may present special challenges for companies with limited corporate finance and transaction experience.

ALIGNMT

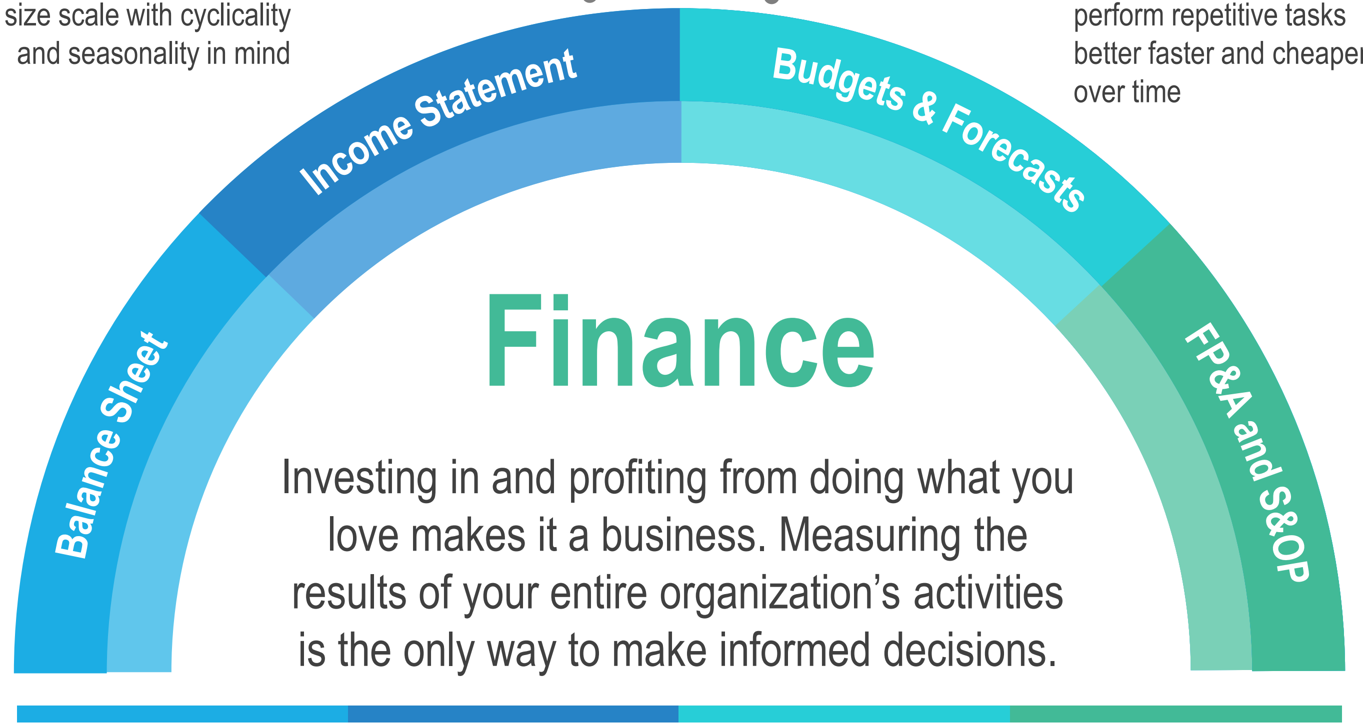
FINANCE / MARKET FIT

PRODUCTIVITY
Pay close attention to periodic financial performance on a common size scale with cyclicality and seasonality in mind

VARIANCE
Hold your entire organization accountable to learn from all activities and perform repetitive tasks better faster and cheaper over time

RESOURCES
Be certain that you have ample resources to pursue your organizational goals

FORWARD FOCUSED
Leverage valuable processes including Financial Planning & Analysis and Sales & Operations Planning to improve your return on investment



Investing in and profiting from doing what you love makes it a business. Measuring the results of your entire organization's activities is the only way to make informed decisions.

OPPORTUNITY

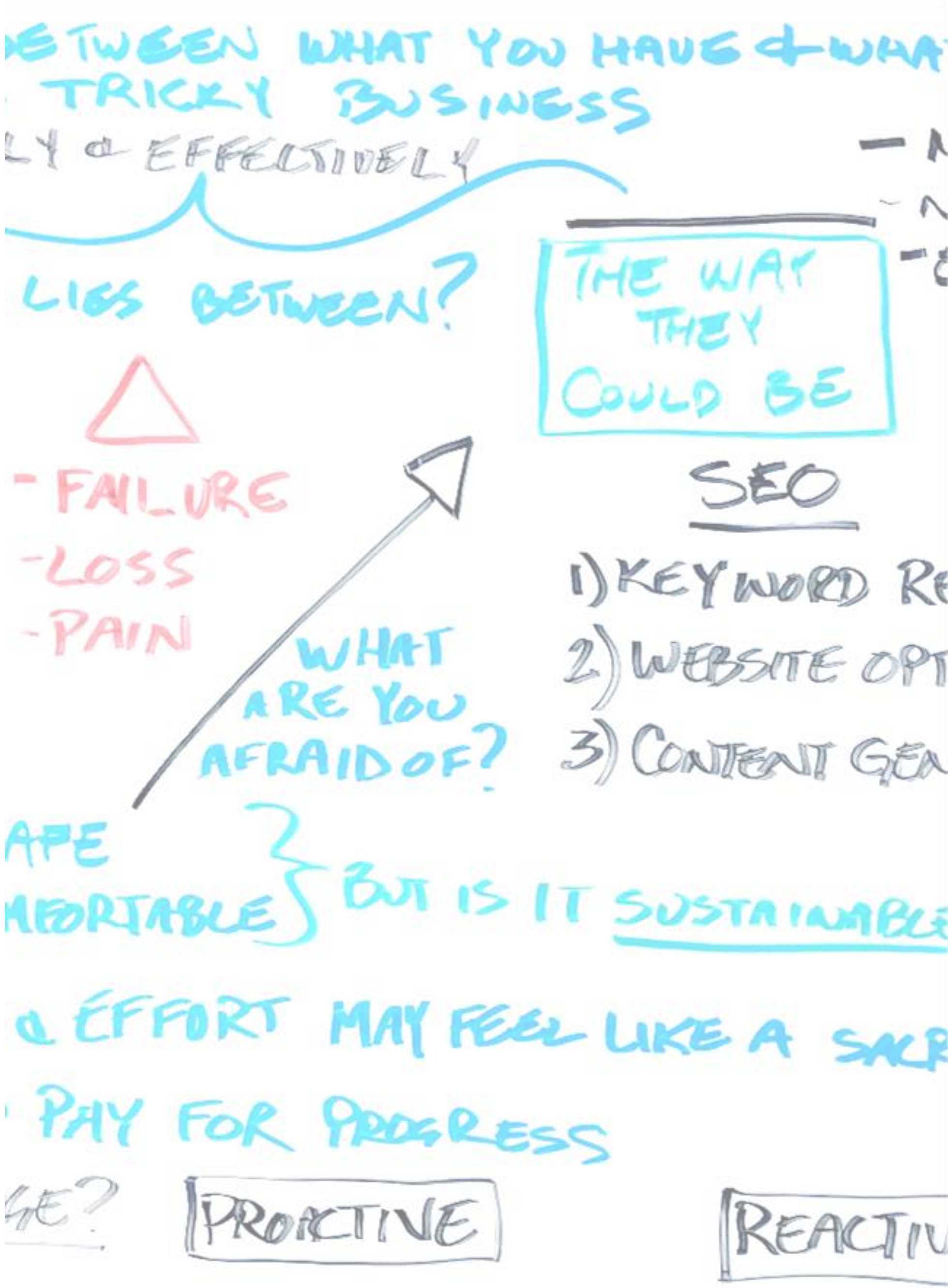
There is always a fresh perspective, no matter what happens. No one said it would be easy, and of course, the stakes are high, but the path is there for those ready to take it.

ALIGNMT

SITUATION OVERVIEW

EITHER THERE'S A PROBLEM YOU HAVE BUT DON'T WANT, OR A RESULT YOU WANT BUT DON'T HAVE

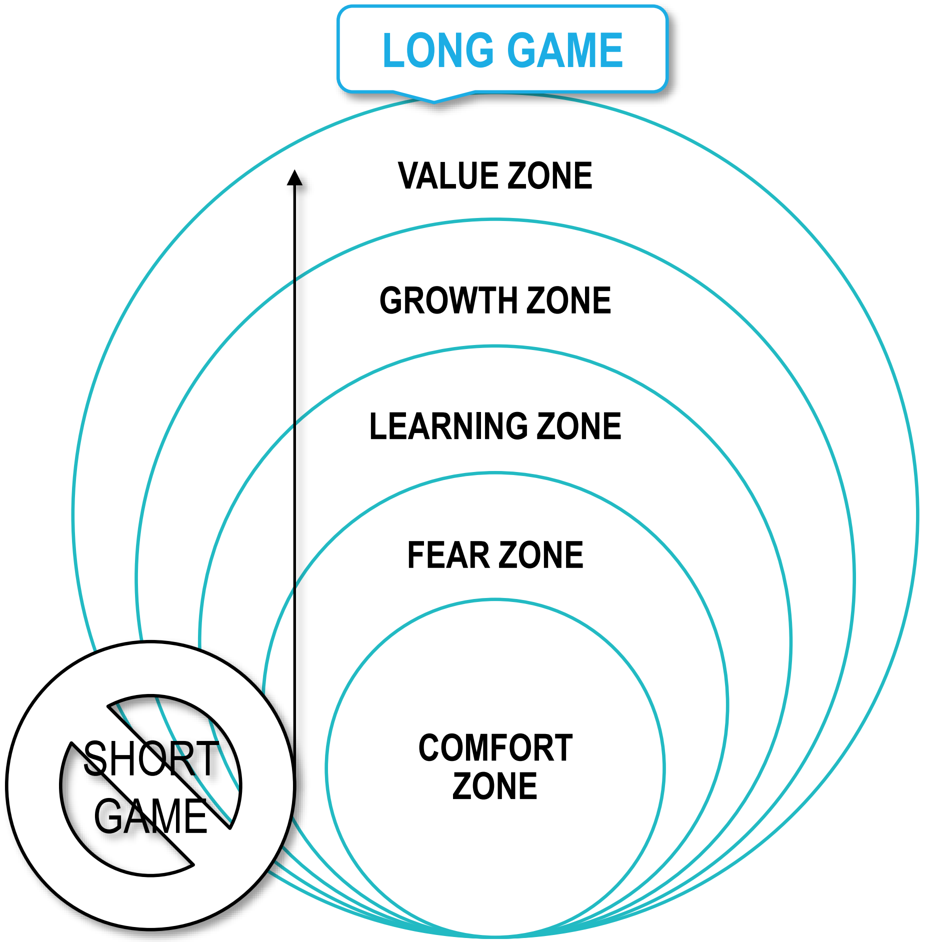
1) How would you describe your current business environment?
2) What is your number one priority for the business during this fiscal year? Next year?
3) What is unique about your business compared to your competitors?
4) What is your 12-month strategy?
5) How much are problems costing you?
6) What does your ideal solution look like?
7) Is there anything that you or your employees are doing that may be getting in the way of achieving your ideal situation?
8) If you don't achieve your ideal solution, how long can you manage to stay with things the way they are?
9) What do you believe needs to be strengthened in order to support achieving your ideal solution?
10) What kind of growth are you anticipating from your ideal solution?



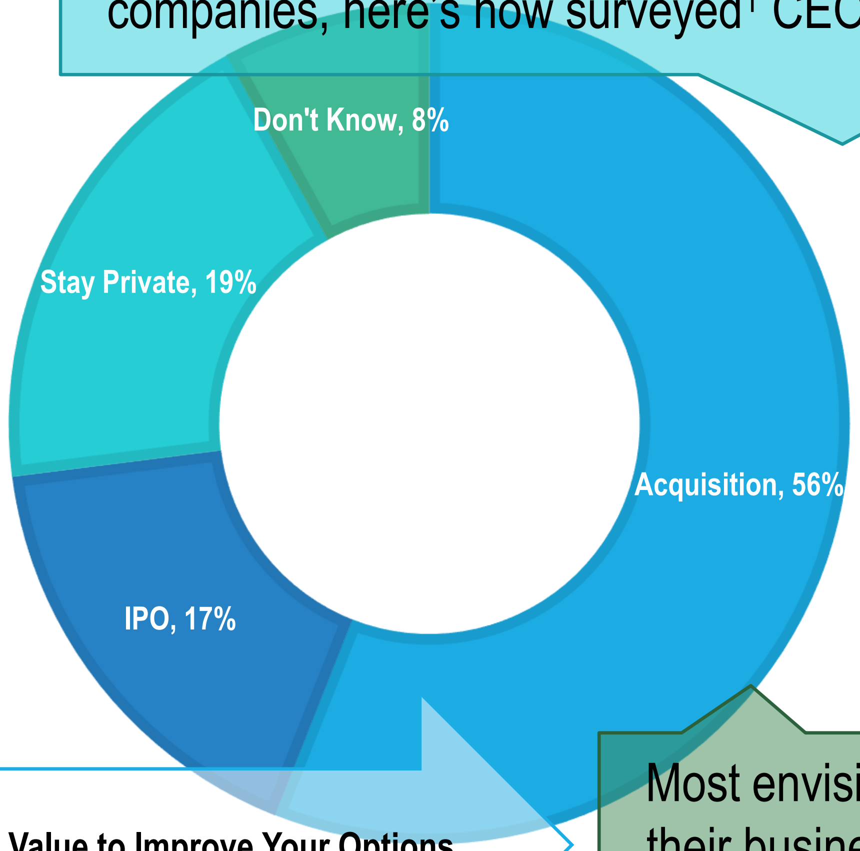
ALIGNMT

SUCCESS IS ENTIRELY UP TO YOU

- Right now you are in your Comfort Zone, and it feels safe
- But it's not what you thought, you want more and that requires change
- Opportunity is always outside your comfort zone
- Change can sometimes feel like failure
- It takes you out of your comfort zone
- Pursuing opportunity means taking risks
- The level of reward you experience directly correlates to the level of effort and work you invest
- Low effort = low reward
- High effort = high reward



When asked what their long-term goals were for their companies, here's how surveyed[1] 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

PROFITABILITY = SUSTAINABILITY

Investing in doing what you love is sustainable only if its profitable

It's a simple concept: there must be profit left over after all the business activity

Please note: "Busyness" does not equal "Business"

If you're not focused on REVENUE, you're going to have a difficult time surviving

Quality matters above all. Quality outperforms 100% of the time

What does this mean? There's nothing more costly than a cheap effort.

The most important metric to look to for answers? ROI.

PRIORITIZE: ALIGN YOUR 3 STRATEGIES

CORPORATE

- The 'What'
- Long-Term View
- Brand Value

BUSINESS

- The 'How'
- Annual View
- Product/Service Value

FUNCTIONAL

- The 'Do'
- Daily View
- Customer Value

THE WHAT

How often do you see what you want to see, instead of seeing what's actually there?

ALIGNMT

FOUR PRIMARY FUNCTIONS OF FINANCE

HELP VALIDATE DATA SO YOUR ENTIRE ORGANIZATION CAN MAKE INFORMED DECISIONS TO DRIVE SUSTAINABLE REVENUE GROWTH AND QUALITY OF EARNINGS

CONTROL
Ensure Accurate & Timely Financial Records

FORECAST
Deliver Critical Decision Making Data

Corporate Finance

COMPLY
Financial Disclosure & Fraud Prevention

MEASURE
Measure Key Performance Indicators

ALIGNMT

Corporate Finance plays a major role in helping validate many types of data so the entire organization can make informed decisions

When your organization doesn't have this critical resource, or you are under staffed, productivity and results can really suffer

You realize the biggest key to business success is building a solid leadership team that brings a mix of experience, expertise and creativity

Management excellence requires more than any one individual can provide

Because of these challenges many companies find that their finance staff aren't quite able to handle these daily demands

Particularly when there are changes happening within the business…and change is a must if you want to stay relevant

Growth, contraction and evolution are situations that happen to every business

WHO KNEW FINANCIAL MANAGEMENT WAS SO CRITICAL TO SUCCESS?

ALIGNMT

EXPERIENCE IS ALWAYS USEFUL

Business leaders today are turning to Corporate Finance consultants to help them improve financial management, boost profitability and increase Business value

Many companies lack the requisite Corporate finance expertise in-house to achieve important goals, while outsourcing often enables them to reach the next level of productivity In a Cost Effective, Low Risk manner

Every company needs disciplined financial management to ensure its long-term viability in Every Respect

HOW PRECISELY ARE YOU TRACKING KEY PERFORMANCE INDICATORS?

How can you make good business decisions without the insights of accurate, detailed and reliable financial analysis?

Bookings vs. Revenues

Recurring Revenue vs. Total Revenue
- ARR (Annual Recurring Revenue)
- ARR per Customer
- MRR (Monthly Recurring Revenue)

CAC (Customer Acquisition Cost)
- Blended vs. Paid
- Organic vs. Inorganic

Active Users

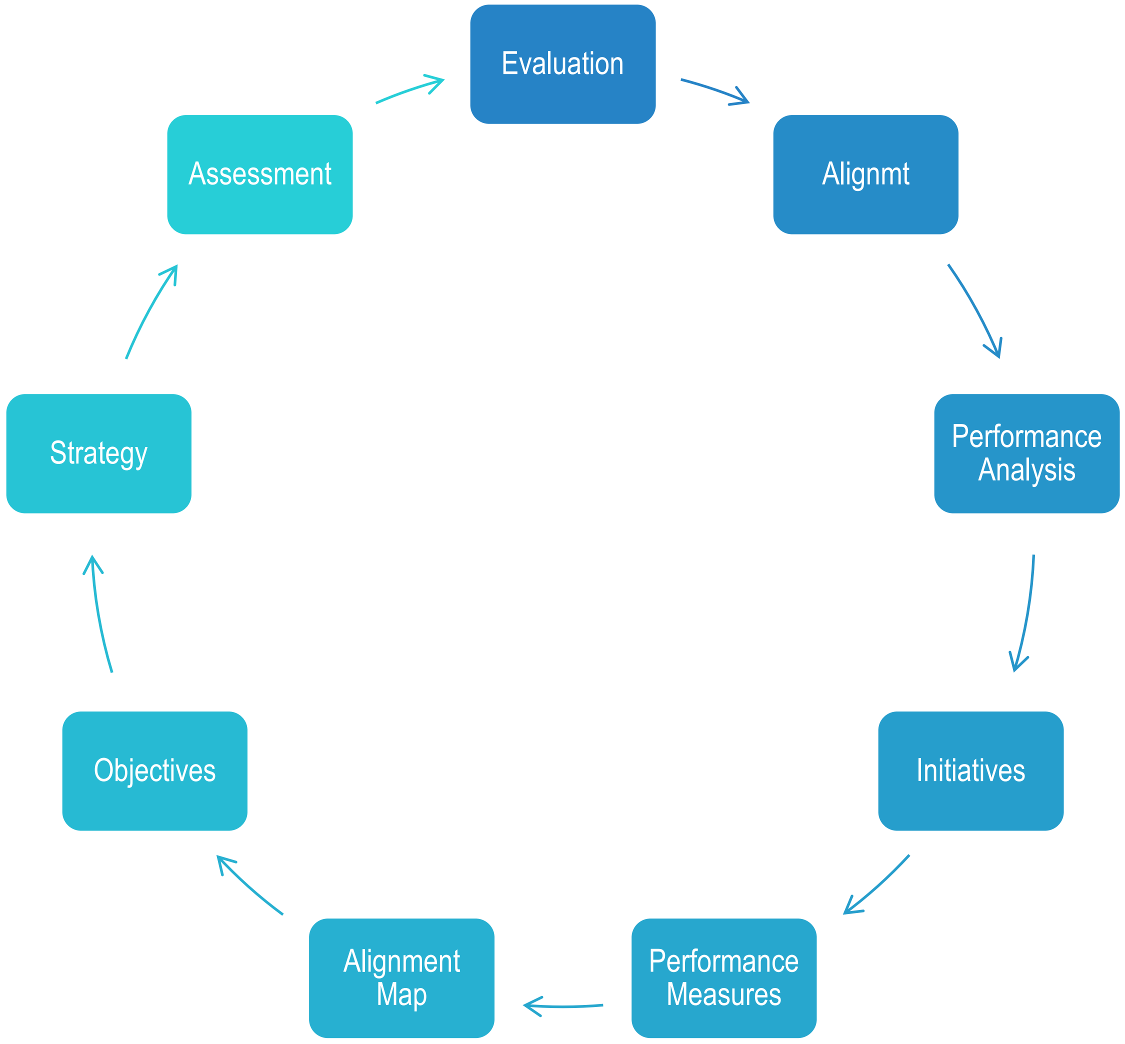
MoM Growth

LTV (Life Time Value)
- Revenue per Customer
- Contribution Margin per Customer
- Average Life Span per Customer
- LTV
- LTV:CAC Ratio

Unearned or Deferred Revenue…and Billings

Churn
- Monthly Unit Churn
- Retention by Cohort
- Gross vs. Net Churn

Burn Rate



GOOD DECISIONS ARE BORNE FROM GOOD DATA

RESPONSIBILITIES OF FINANCIAL MANAGEMENT

Controllership

- Financial Reporting
- Accuracy
- Timeliness

Treasury

- Financial Condition
- Risk Mgmt.
- Liquidity

Strategy

- Ops Results
- Profitability
- Efficiency
- Investment

ALIGNMT

INTANGIBLES ARE KEY TO SUCCESS

- **Strong General Financial Expertise** — Hands-on financial expertise in corporate finance, strategy, planning and non-financial operations design, deployment and management
- **Business and Operations Experience** — A holistic approach to organizing your business will help optimize efficiency in all functional areas, including business development, finance, operations, human resources, legal, IT and more
- **Expertise in Your Industry** — Adhering to industry best practices builds competitive advantages, attracts talent and delivers more repeat business
- **Strong Management Experience** — Outsourced corporate finance consultants are often called on to help build and strengthen internal department relationships and cooperation. Strong management experience is required in order to work with sales, operations and management/ownership to show how the corporate finance function can help everyone work together better.
- **High Value Network of Resources** — Connecting with others in your industry may open doors of opportunity for new sales and services, or in the case of new vendors, for reducing costs or expanding your options. Making networking connections with professionals outside of your industry (such as attorneys, commercial bankers, insurance professionals, equity firms and investors) can also be useful by helping you build new relationships and get your foot in the door.

BUSINESS PLAN V. BUSINESS MODEL

Business Plan

- External, customer building coordinator–the "What"
- Product or service description
- Markets served
- Buyer personas
- Features, functions and benefits
- Channels of distribution

No Business Plan can succeed with a flawed Business Model

Business Model

- Internal, team building coordinator–the "How"
- You need to differentiate yourself from others in your industry and particularly from your direct competitors – too many imitators don't succeed
- Uncovering the "essence" of your business will make it easier for you to communicate what you are doing differently from others – how do you stand out?
- What is your competitive advantage? Are you thriving as a result of it?
- Future goals, perhaps to expand or sell the business – how will you convince others to join or be convinced by what you do?
- Articulation of the businesses business model is central to all of the above

ALIGNMT

THE HOW

It’s an exercise, which means it takes repetition. The more you try it, the better you get at it. The more skilled you become seeing things for what they are, the more perception will work for you rather than against you.

EXPERIENCE & EXPERTISE

- Perhaps the best part about outsourcing corporate finance consulting is that you will be able to capitalize on professionals with extensive experience, which empowers your internal staff to operate more effectively
- We have conducted corporate finance consulting not only within your industry, but within a variety of related fields as well, enabling us to leverage comprehensive experience
- We have skills in all aspects of your needs, including strategy, finance and operations
- ALIGNMT can thus be used for a greater range of purposes than a standard, internal employee would be capable of performing
- We could be instrumental in the training of staff members
- We have the time and resources to dedicate to the training and mentoring of your internal staff, resulting in an overall more effective accounting and finance department

ACCOUNTING V. FINANCE

Accounting is about the past

Finance is about the future

FUTURE FOCUS

At the very least you must

This is valuable information

Make the most of limited resources

Budgets & Forecasts

Carefully track financial & all other metrics for key insights

Financial Planning & Analysis

Your team has to communicate so share useful information

Research, Presentations & Reports

Investors, lenders and stakeholders want to know too

Financial Communications

Embrace the approach & elements of value

Business Valuation

NECESSITY ⟷ LUXURY

ALIGNMT

BUDGETS & FORECASTS

Make the most of limited resources

- Planning is the process of mapping out your organization's future direction to attain desired goals
- Strategy is your organization's plan to match its strengths with opportunities to accomplish its desired goals over the short and long-term
- A budget is an operational plan and a control tool that identifies the resource commitments required to satisfy your financial goals over a period of time
- Budgeting & Forecasting is an essential part of the continuous planning for you to accomplish long-term goals

FINANCIAL PLANNING & ANALYSIS

- **Financial Planning**: Partner with business leaders across the organization to produce semi-annual and multi-year financial forecasts that provide a roadmap for the company to achieve its strategic objectives
- **P&L Review**: Lead the monthly P&L review process that includes explaining variances to plan, providing insight on current and expected trends, and identifying areas of risk and opportunities
- **Financial Analysis**: Conduct complex financial cost/benefit analyses to support growth and other strategic initiatives
- **Capital Markets**: Support capital markets initiatives that may include analyses related to raising debt and equity capital, preparation of investor/lender books, covenant reporting, and other tasks as needed
- **Reporting**: Manage financial and KPI reporting requirements, including preparing materials for the Board of Directors
- **Business Intelligence**: Partner with Data & Analytics team to create and automate a business intelligence framework to support various company objectives
- **Other**: Other ad hoc support and analyses as needed

ALIGNMT

RESEARCH, PRESENTATIONS & REPORTS

Accuracy is the absolute standard

Research can give you a picture of what the future might look like. Then you can decide how you can fit in to it.

- Remember, there’s the “What”, the “How” and the “Do”

There are two ways to tell the story of your business: (i) the goals, activities and results of the people in your organization and (ii) the financial results of these activities.

Telling the story from both perspectives eloquently, consistently and convincingly is the hard part, particularly in short order with accurate, relevant data.

- Financial results analysis for your organization and investors
- Financial projections to keep your team productive and accountable
- Budgeting for organizational growth—every day can be better than the previous
- Revenue and earnings analysis—you’re in business to make a profit

ALIGNMT

FINANCIAL COMMUNICATIONS

- Shareholder relations
- Financial analysis
- Corporate communications
- Financial media relations
- Corporate governance
- Strategic planning
- Public relations
- Employee relations

WHICH ANALYTICS ARE RIGHT FOR YOU?

These report *what* happened

Descriptive

These report *why* something happened

Diagnostic

These report what *could* happen

Predictive

These report what *should* happen

Prescriptive

BUSINESS VALUATION

	Typically used by strategic buyers		Typically used by financial buyers	
	DCF	**CCA**	**CTA**	**LBO**
	Discounted Cash Flow Analysis	Comparable Company Analysis	Comparable Transaction Analysis	Leveraged Buyout Analysis
Description	Valuation based on the discounted free cash flows of the company over the period generating abnormal returns	Valuation based on the main trading multiples of comparable (listed) companies	Valuation based on the main multiples of recent and relevant comparable transactions	Valuation based on IRR calculations assuming a certain (LBO) debt package available
Value Drivers	• EBITDA growth • NWC/Capex need • ROIC vs WACC • Competitive advantage period	• P/E or PEG ratio • Sales / EBIT(DA) focus • No control premium or synergies in multiples • FY0/FY1/FY2	• Historical transactions • Focus on sales / EBITDA multiples • Often control premium or synergies included	• EBITDA growth (organic / acquisitive) • Financing • Entry / exit multiples

ALIGNMT

Myth 1: A valuation is an objective search for "true" value	Myth 2: A good valuation provides a precise estimate of value	Myth 3: The more quantitative a model, the better the valuation
Truth 1.1: All valuations are biased. The only questions are how much and in which direction. Truth 1.2: The direction and magnitude of the bias in your valuation is directly proportional to who pays you and how much you are paid.	Truth 2.1: There are no precise valuations Truth 2.2: The payoff to valuation is greatest when valuation is least precise.	Truth 3.1: One's understanding of a valuation model is inversely proportional to the number of inputs required for the model. Truth 3.2: Simpler valuation models do much better than complex ones.

MISCONCEPTIONS ABOUT VALUATION

KEEP YOUR ENTIRE ORGANIZATION INFORMED

Every one of your staff wants to and can contribute to your organization's success—empower them!

- Establish clear, operational, and relevant goals that lead to interdependence and commitment
- Establish effective two-way communication
- Distribute leadership and participation
- Make sure power is based on skill and knowledge, not personality
- Allow situations to determine appropriate decision making procedures
- Enforce functioning maturely and productively
- Support controversy, it leads to creativity and process gain
- Acknowledge conflicts and resolve constructively

ALIGNMT

1. BUDGETS & FORECASTS
2. FINANCIAL PLANNING & ANALYSIS
3. RESEARCH, PRESENTATIONS & REPORTS
4. FINANCIAL COMMUNICATION S
5. KEY PERFORMANCE INDICATORS
6. CAPITAL MARKETS TRENDS
7. BUSINESS VALUATION
8. HIGH ORGANIZATIONAL PERFORMANCE

IT'S ALL WITHIN REACH

ALIGNMT

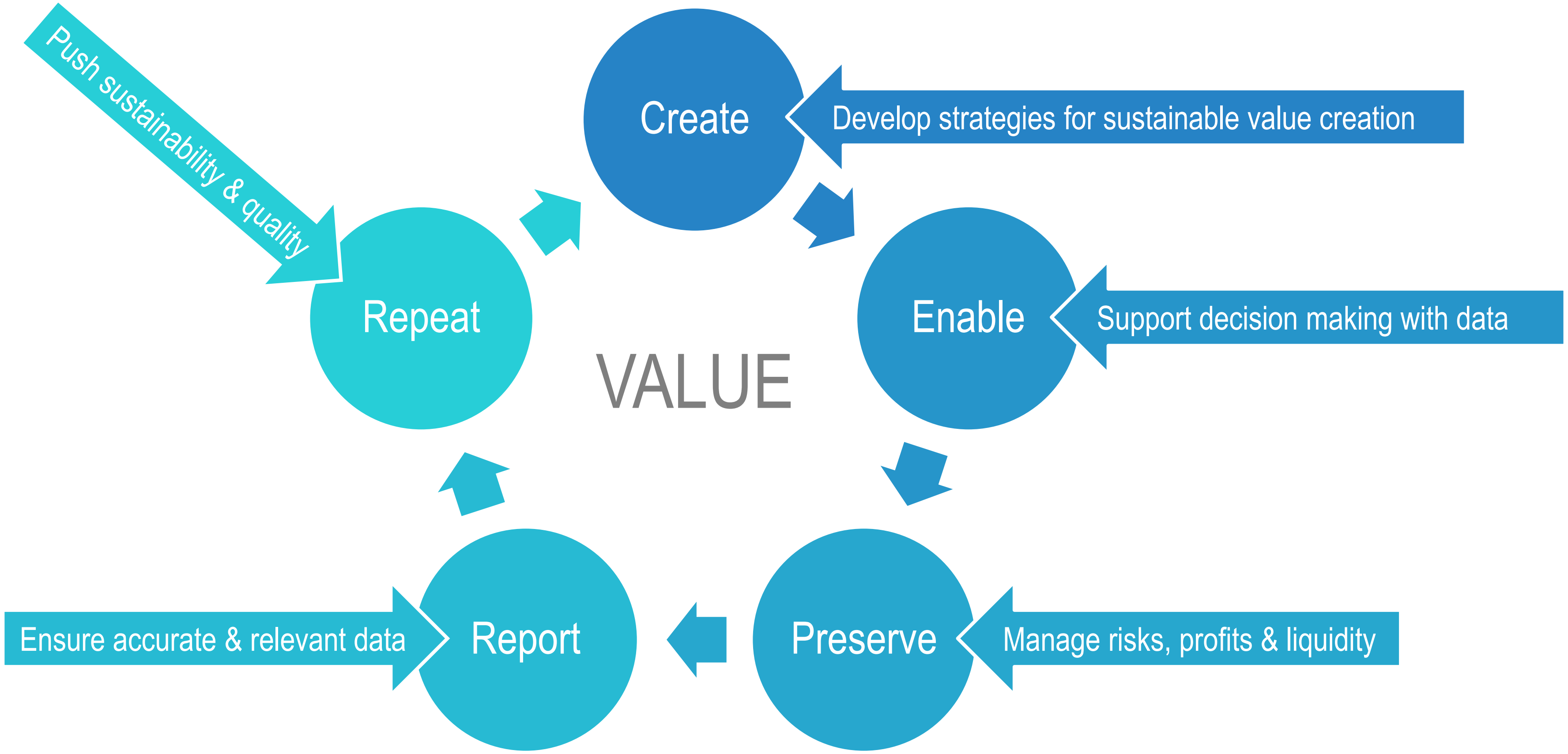
THE WHY

Is our perspective truly giving us *perspective* or is it what’s actually causing the problem? That’s the question.

VALUE


Business Valuation Spectrum
June 29, 2017
M&A Valuation: The Spectrum

VALUE IS A FINANCIAL MEASURE



ALIGNMT

CULTURE & CONDUCT WITH PURPOSE

Thinking Differently

- Leadership
  Make clear that leaders are role models who are expected to embrace, exemplify and influence the culture and values of an organization.
- Communication
  Promote and sustain the firm's culture through a clear communication strategy, transparency and open dialog with staff.

Acting Differently

- Consistent norms
  Establish and enforce a single firm identity, culture and explicitly defined operating norms.
- Technology & Infrastructure
  Deliver infrastructure that facilitates dialog and promotes staff education. Leverage innovative technologies to proactively survey behavioral patterns and identify cases of misconduct.

Incentivizing Differently

- Talent management
  Emphasize the firm's identity and values in hiring and training programs.
  Create levers in remuneration structure to reward desired behavior.
  Develop and report on a culture scorecard that includes both qualitative and quantitative measures.
- Governance and organization
  Foster formal alignment between risk and business through closer organizational relationships and dialog with staff.

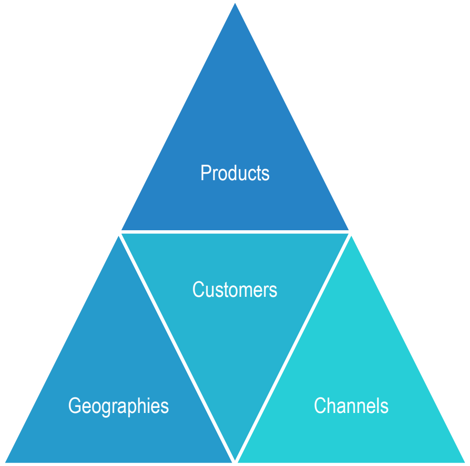
DEFINE YOUR BUSINESS MODEL

Because the challenges and capabilities of each business are unique there is no single answer. A three step process will help to (re)define your business model:

1. **Strategic View**—What are the overall objectives of your business and in which geographies will it operate? What is its capital structure and target ROE?
2. **Portfolio Mix**—What are the key products and customer segments it will serve? What are the margin goals per product? What do you do with non-core products?
3. **Business Design**—How do you align the business design to the strategy and portfolio mix? What is the most cost-effective support model for the business?

1) Strategic Vision

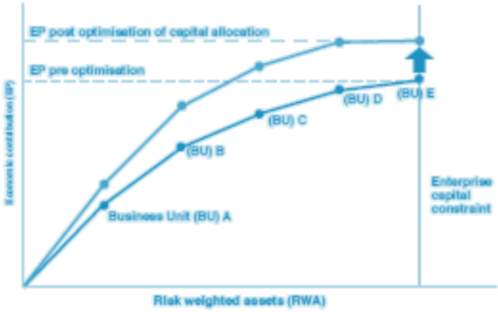
Review of business and definition of strategic priorities:



Defined set of core and auxiliary businesses
Business lines identified for core vs. non-core portfolios consideration

2) Portfolio Mix

Optimization of portfolio against capital (risk weight) constraints:



Allocation of capital to support optimum portfolio mix
Definition of non-core portfolios

3) Business Design

Alignment of front office to support vision and portfolio mix:

Organization & governance

Coverage models and incentives

Booking models

Optimum allocation of resources
Business model aligned to strategic vision and capital allocation

STRATEGY IN PRACTICE

Anticipate

- Look for game changing information at the periphery of your industry
- Search beyond the current boundaries of your business
- Build wide external networks to help you scan the horizon better

Think Critically

- Reframe problems to get to the bottom of things in terms of root causes
- Challenge current beliefs and mindsets, including your own
- Uncover hypocrisy, manipulation and bias in organizational decisions

Interpret

- Seek patterns in multiple sources of data
- Encourage others to do the same
- Question prevailing assumptions and test multiple hypotheses simultaneously

STRATEGY IN PRACTICE

(cont.)

Decide

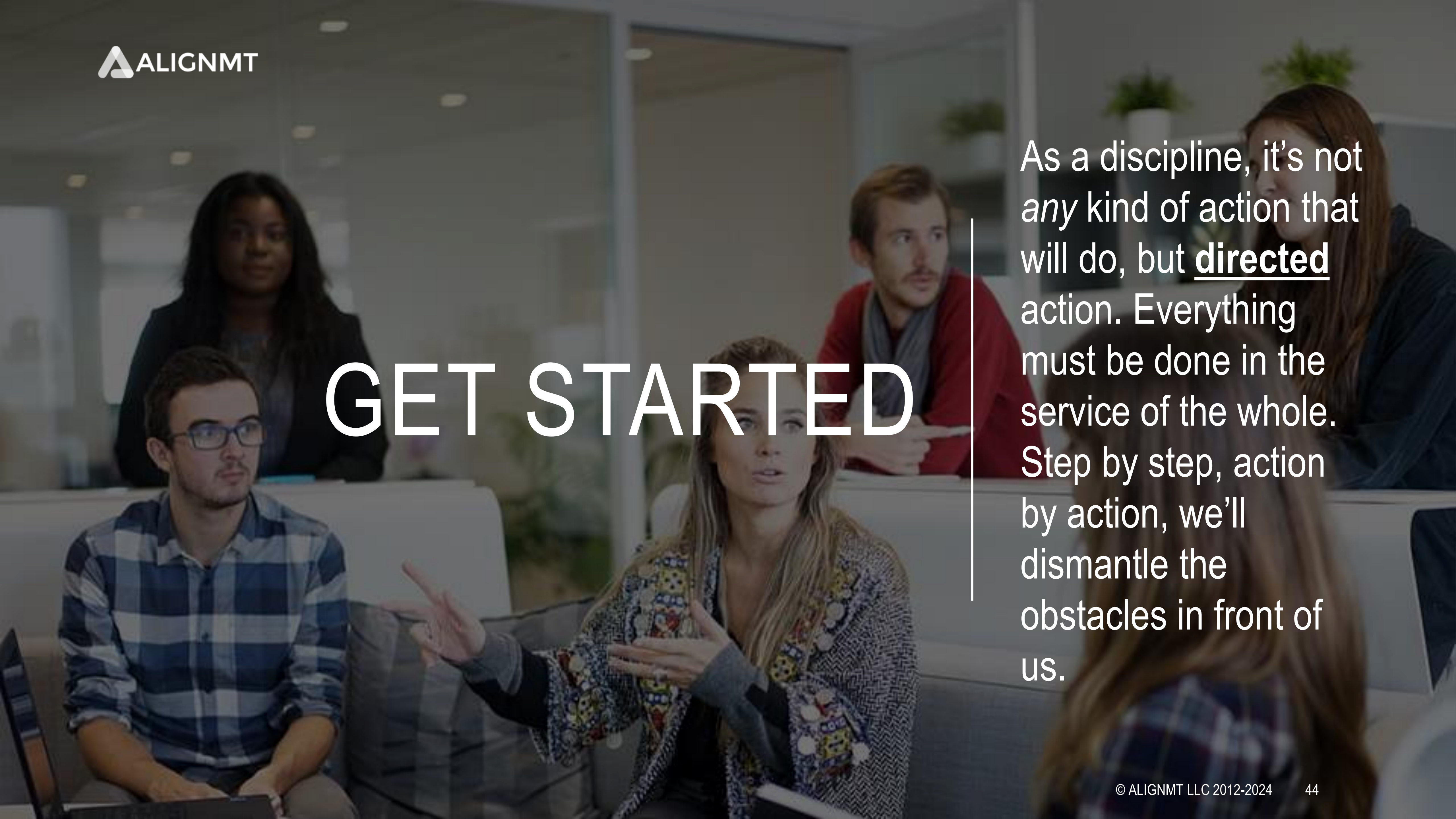
- Carefully frame the decision to get to the crux of the matter
- Balance speed, rigor, quality and agility—forget perfection
- Take a stand even with incomplete information and amid diverse views

Align

- Understand what drives other people's agendas, including what remains hidden
- Bring tough issues to the surface, even when it's uncomfortable
- Assess risk tolerance and follow through to build the necessary support

Learn

- Encourage and exemplify honest, rigorous debriefs to extract lessons
- Shift course quickly if you realize you're off track
- Celebrate both success and (well-intentioned) failures that provide insight



ALIGNMT

GET STARTED

As a discipline, it's not *any* kind of action that will do, but **directed** action. Everything must be done in the service of the whole. Step by step, action by action, we'll dismantle the obstacles in front of us.

#1 GOAL

Deliver Positive Return on Investment

ALIGNMT

CORPORATE INTELLIGENCE PLATFORM

Analyze
- Analyze your financial, operations and investing performance

Reduce
- Reduce costs in your supply chain

Generate
- Generate accurate business intelligence

Save
- Save valuable time

Reward
- Reward your team for productivity improvement

Value
- Build business value to prepare for an M&A sale

ALIGNMT

RESULTS OVER ACTIVITIES

1) Identify and present ongoing issues and activities
2) Assess major upcoming decisions and issues
3) Consult on ad hoc issues as they arise
4) Revenue and profit projections to guide staff resource decisions
5) Monthly measurement of results as compared to key metrics
6) Quarterly review meeting to evaluate progress against the budget and strategic plan
7) Annual pricing review
8) Annual staff compensation and bonus review

Strategic Planning

Benchmarking

Budgeting & Forecasting

Tax planning

Succession planning

Retirement planning

Compensation planning

Benefits planning

ALIGNMT

WE’LL SET UP THE TOOLS FOR YOU

ALIGNMT

WHY ALIGNMT?

- ALIGNMT can open your business up to wholly independent, objective viewpoints, as well as injecting your operations with creativity and new perspective
- We have no preconceptions or agendas with regards to your business processes or politics
- Instead, we can tackle issues with a thoroughly clinical approach
- This objective viewpoint is critical to assessing all sides of the situation
- Having worked with companies across myriad industries ALIGNMT has a unique viewpoint, framed by these myriad experiences that enable us to view your business from a truly global perspective and provide innovative ideas

ALIGNMT

EFFECTIVE INTEGRATION

1) Balance short-term concerns and pressures, such as managing cash, liquidity, and profitability with long-term vision and sustainable organizational success
2) Fulfill stewardship responsibilities by ensuring effective compliance and control and responding to increasing regulatory developments, including financial reporting, capital requirements, and corporate responsibility
3) Share strategic leadership responsibilities with you and other senior managers and ensuring the FP&A function supports the business at a strategic and operational level
4) Drive and manage change and innovation within the organization
5) Engage and communicate effectively with colleagues, investors, customers, suppliers, regulators, and other internal and external stakeholders

HOW DOES YOUR FUTURE LOOK?

ALIGNMT

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