



Guiding Owners Through Transition

M&A
Advisory

RESULTS *with*
INTEGRITY™

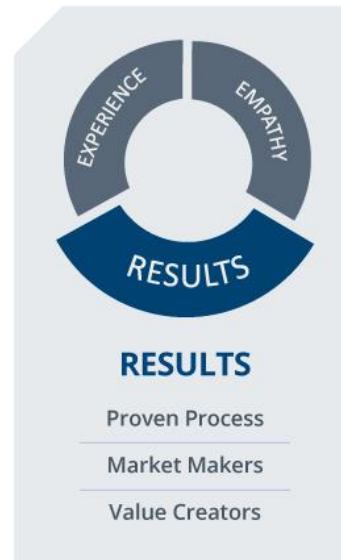
EdgePoint Capital

800-217-7139

www.edgepoint.com

EDGEPOINT OVERVIEW

Our unique perspective and knowledge provide
The **EdgePoint** Difference



National **sell-side M&A advisors** for middle market companies (2000)

Senior level attention drives an industry leading deal closing rate

Client-centered **unbiased advice** focused on extraordinary outcomes

International access from **connected market makers**

Dedicated to **driving value creation**

M&A Leadership Recognition



INDUSTRY EXPERTISE AND EXPERIENCE

The completion of more than **250 transactions over 20 years**, combined with the multidisciplinary backgrounds of our professionals, has positioned EdgePoint with intimate knowledge of the dynamics driving trends in our chosen market focus.

EDGEPOINT INDUSTRY COVERAGE

Business Services

- Business Process Outsourcing
- Commercial & Facility Services
- Human Capital Management
- Industrial & Infrastructure
- IT Services & Software
- Marketing & Communication Services
- Professional Services

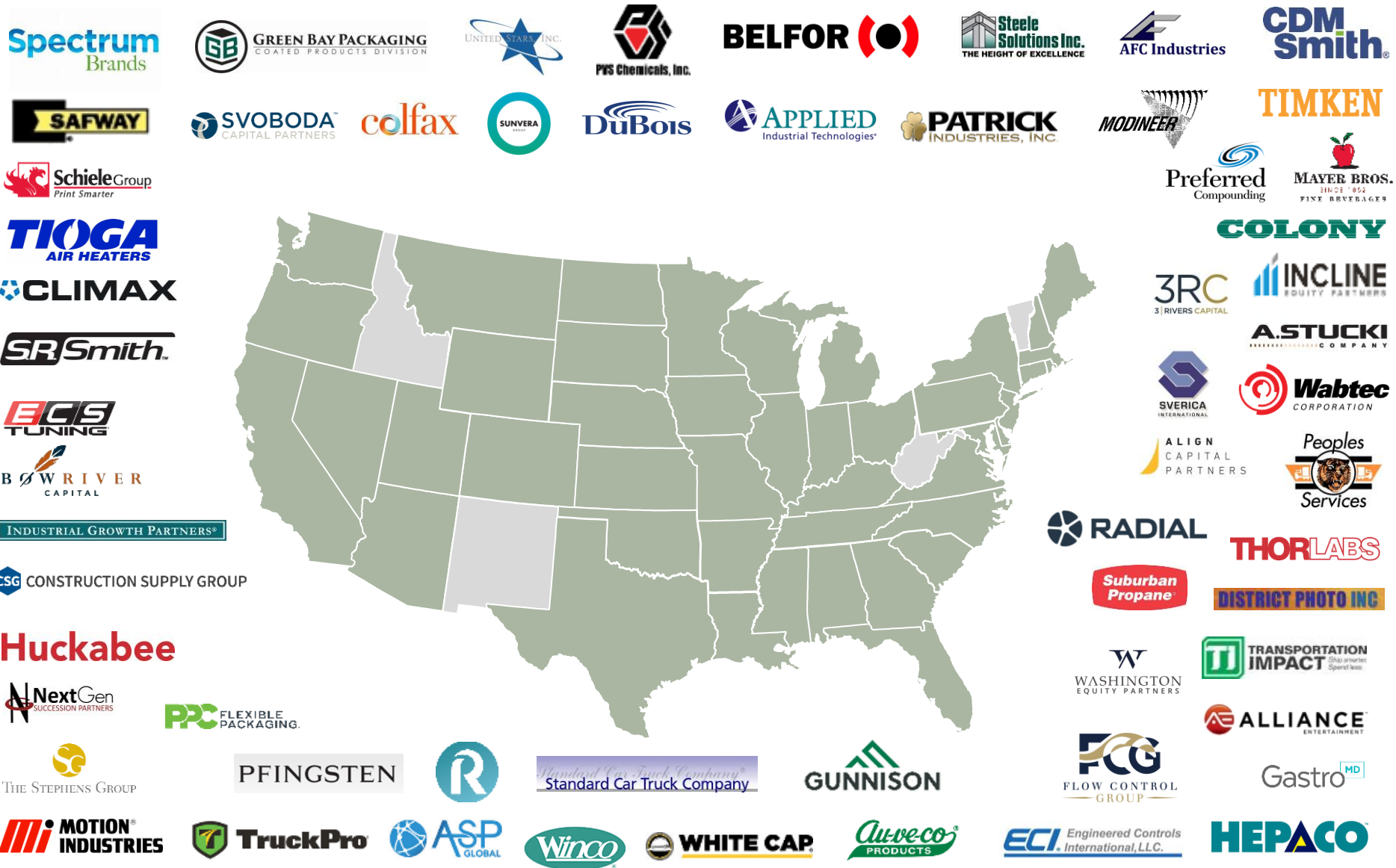
Industrials

- Aerospace & Defense
- Building Products
- Chemicals & Coatings
- Industrial Distribution
- Plastics & Polymers
- Precision Manufacturing

Healthcare

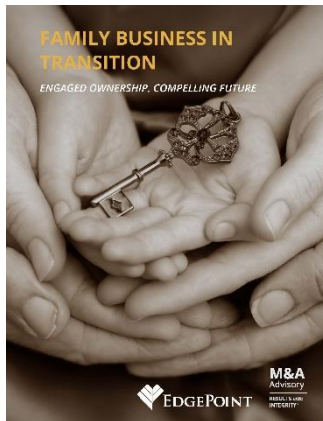
- Acute Care
- Ambulatory Care
- Behavioral Health
- Equipment & Supplies
- Managed Care
- Physician Practices
- Post-Acute Care
- Support Services

EDGEPOINT'S NATIONAL BUYER FOOTPRINT



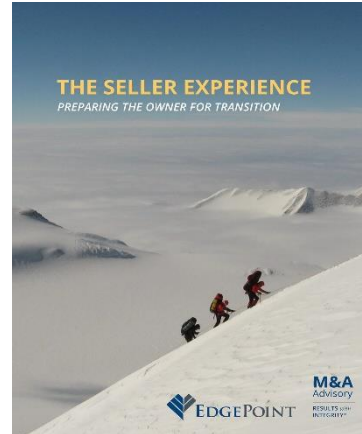
M&A THOUGHT LEADERSHIP

EdgePoint frequently publishes white papers highlighting our decades of M&A advisory experience supported by proprietary business owner surveys



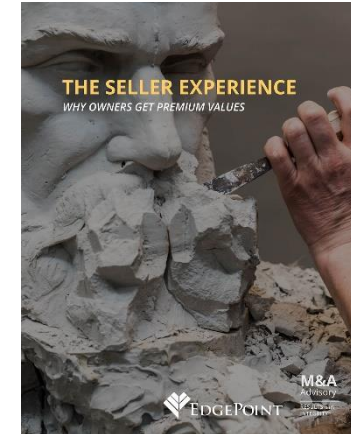
Family Business

- Growing a thriving family business
- Communicating with family & leadership
- Family business pitfalls during M&A



Sale Preparation

- Surveyed 150 past business owners
- Strategies to increase company value
- Perspective before sale vs. views today



Premium Values

- Surveyed 250 Private Equity and strategics
- Drivers of premium valuations
- Avoid value detractors

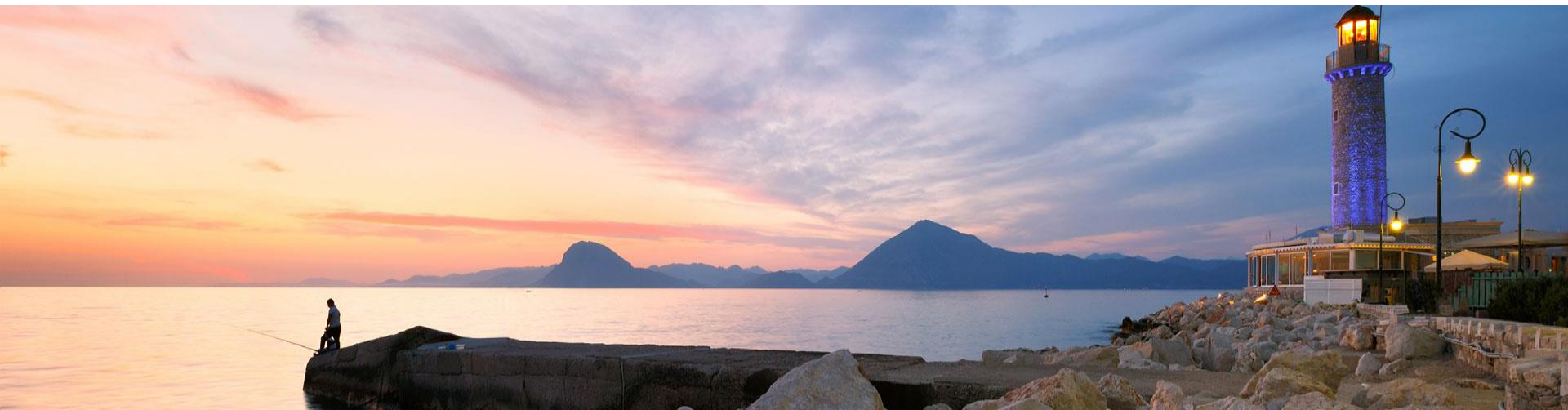
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WHEN IS THE RIGHT TIME TO SELL YOUR BUSINESS?

We often look to three critical factors when advising a business owner on whether the time is right to consider selling their business:





IS THE OWNER READY?

What are your priorities?

Every business owner has a different priority for their transition. What is important to you?

I have dedicated my life to building my company and I want the **highest price**

Highest Price

My employees helped build the business. I want my **employees to share in the success** and preserve their jobs

Employee Friendly

The company is very important to my family and/or community and **my legacy**

Preserve Legacy

Most Confidential

Keeping the sale of my business **confidential** is critical to me

IS THE OWNER READY?

How do you get the highest price?

The following are a few factors that positively impact value:

Growth: Strong growth story with continued opportunity

Acquisitions: Opportunities to acquire business for growth

Predictable Revenue: Revenue is recurring and predictable

Long Term Contracts: Customers have long term relationships

Leadership: Strong management team

Proprietary: Patented and proprietary products/ services

Defensible Niche: Product is unique and has barriers to entry

Low Customer Concentration: Top customers (less than 25%)

Quality Data: Ability to support financials and segmentation

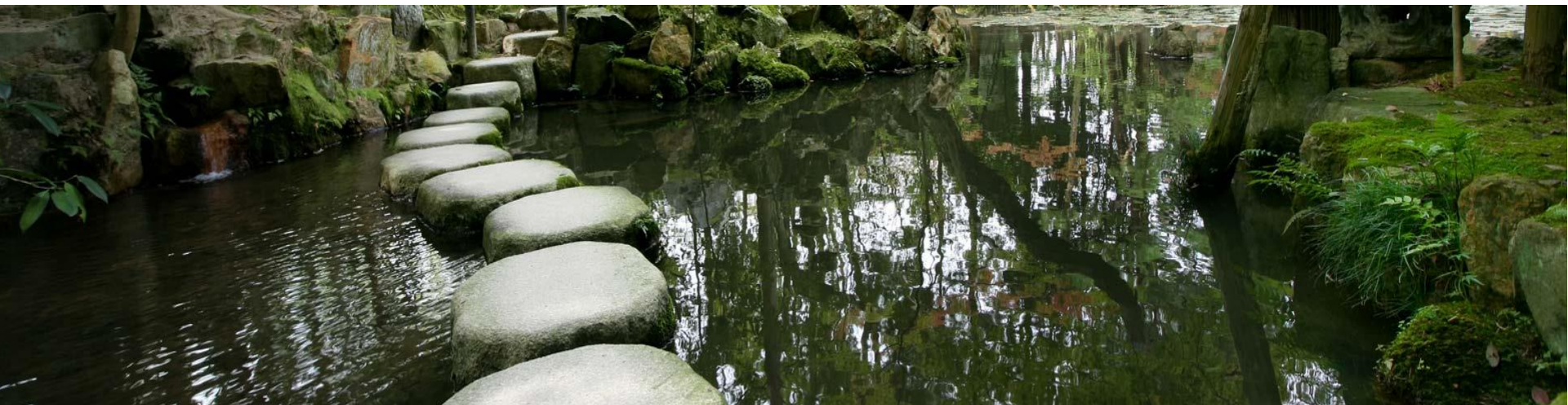
Competition: Competition drives highest price



Are qualitative factors driving decision and timing?

Most common qualitative factors impacting privately held business owners:

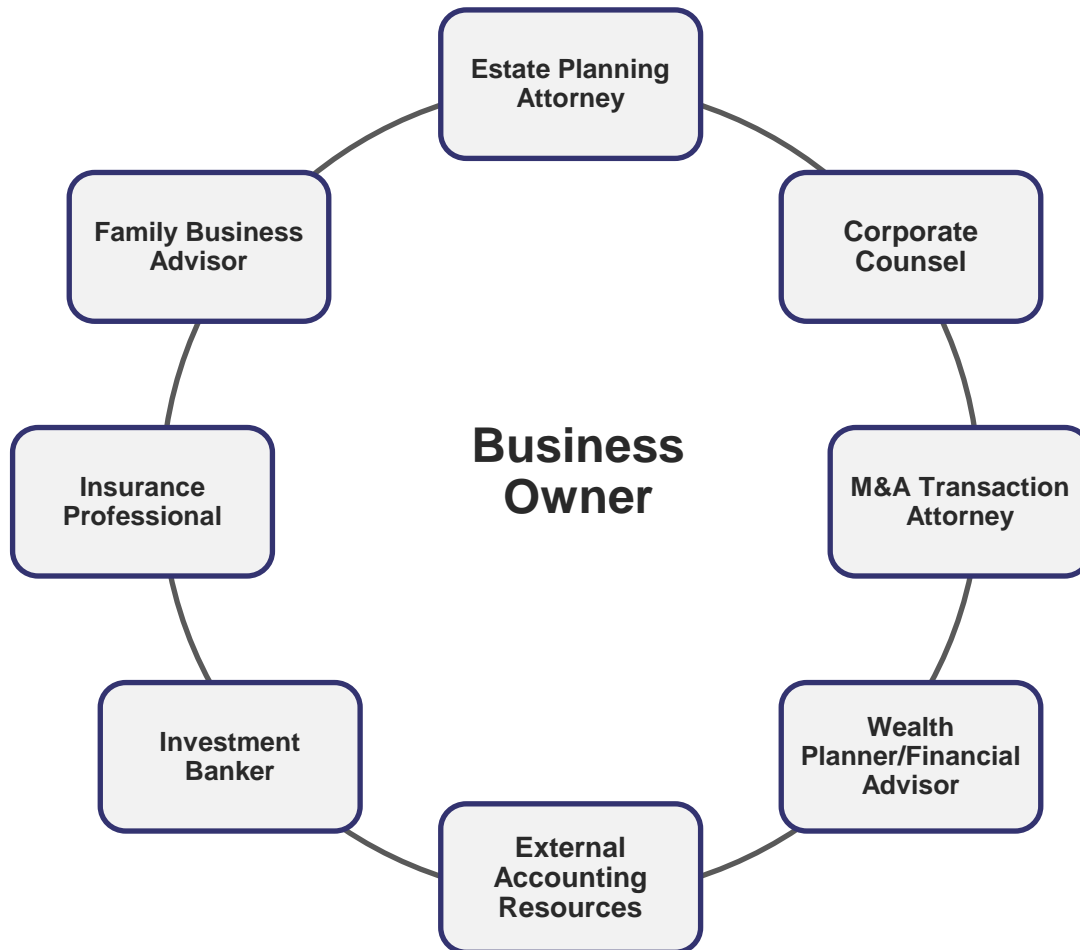
- **Family involvement** in business adding complexity to decisions
- Ownership with different expectations and **transition timelines**
- Shareholders lack of **clarity of valuation desires** and financial plans
- **Leadership gaps** or key management approaching retirement
- Ownership desires to spend **less time working in the business**
- Financial and **business pressures** from recessions, competitors, and employees
- Lack of clarity of **what's next for an owner after sale**
- **Fear of the process** of selling a business is complex and filled with unknowns



IS THE BUSINESS READY?

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The process of selling your business will involve many advisors. It is critical to have a few key advisors that lead the coordination of the preparation and sale process.



A Roadmap to Value Creation

You have worked hard to build a great company. But when you sell, will you realize the full value for your company? If you don't, other's certainly will.



EdgePoint's proprietary **"The Playbook"** is designed to achieve maximum value while increasing certainty of success.

- Leverage a proven process
- Access to world-class solutions/ providers
- ***Outcome driven. Time focused.***

IS THE BUSINESS READY?



Significantly Increase Both Value and Certainty

Working as a results-focused guide, our team is aligned with you on a journey to increase value.

	2022	2023	2024	2025	
Revenue	40,000,000	44,000,000	48,400,000	53,240,000	
Gross Margin	12,400,000	14,080,000	16,456,000	18,634,000	
Gross Margin %	31%	32%	34%	35%	
SG&A	(7,600,000)	(7,524,000)	(8,276,400)	(9,104,040)	19%
EBITDA	4,800,000	6,556,000	8,179,600	9,529,960	
EBITDA %	12%	15%	17%	18%	
EBITDA	4,800,000	6,556,000	8,179,600	9,529,960	
Multiple	6.5	7	7	7.5	
Enterprise Value	31,200,000	45,892,000	57,257,200	71,474,700	

Value Creation	\$ 40,274,700
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Note: Assuming 10% revenue growth and 1x multiple expansion

IS THE BUSINESS READY?

Our unique approach to value creation is truly client-centric.



Increase
Margins



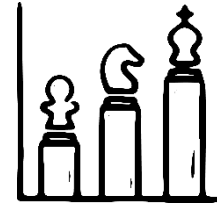
Business
Risk



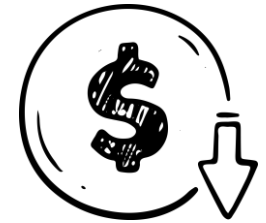
Quality of
Earnings



Insurance



Growth
Strategy



Reduce
Cost



Minimize
Taxes



Working
Capital



Real Estate



Leadership



Web/PR/Social

CASE STUDY: LIQUIDITY & CONTROL

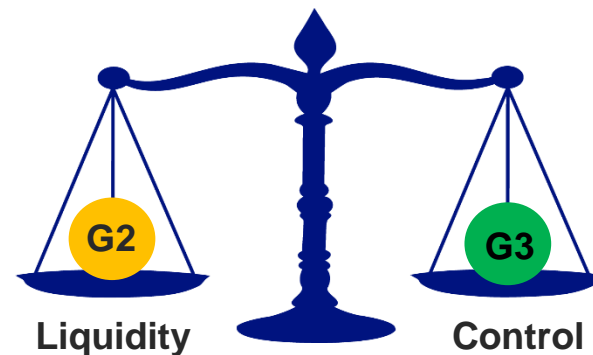
Overview



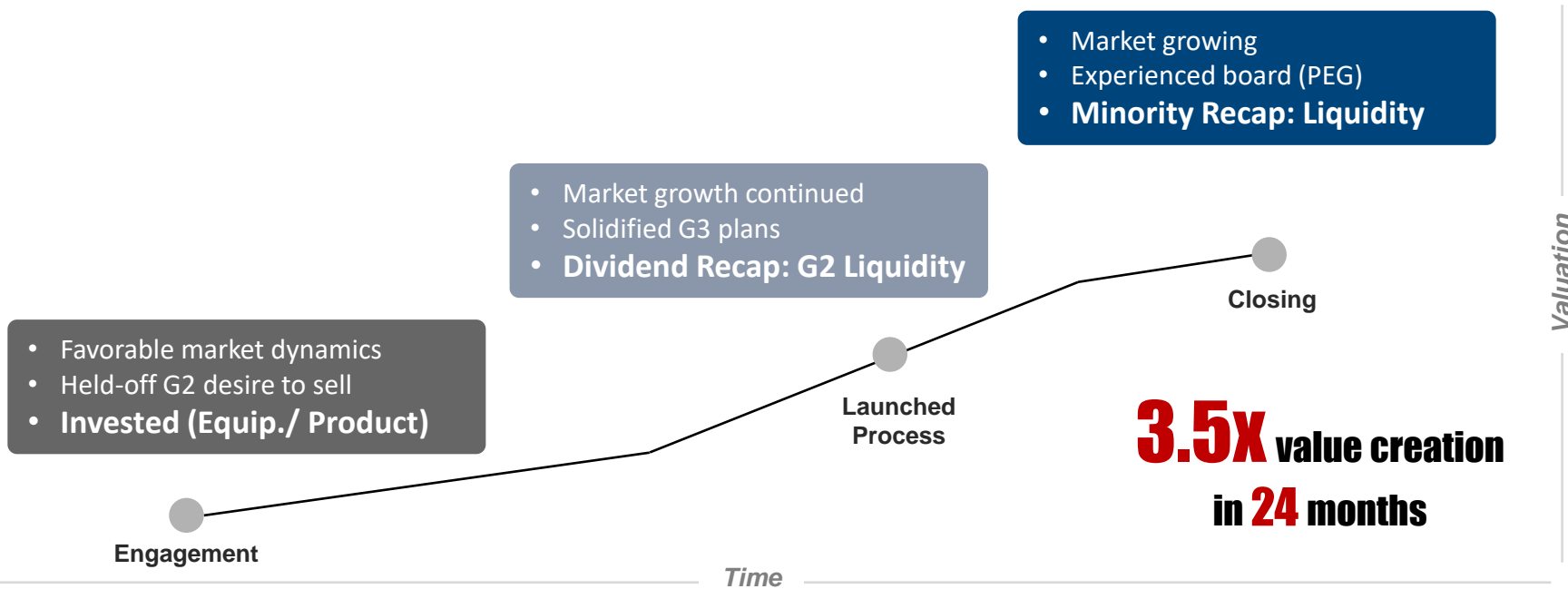
Simmons Grain

- 3rd generation family business
- Organic soybean processor
- Salem, OH

How to Achieve Both Goals?



Thoughtful Process





PROCESS DRIVES VALUE

WHY HIRE AN INVESTMENT BANKER?

- Bankers create **leverage** and **momentum** to increase deal certainty
- Owners need to be **focused on profitably operating their business** and not assume role as “deal maker”
- Consultative process helps create alignment and **clarity of transition** goals and objectives
- A collaborative advisory team can greatly **increase the value** of the business with proper preparation
- Skilled investment bankers have access to and **relationships with premium financial and strategic buyers**
- Experienced deal makers increase likelihood of securing best price and terms from buyers through **skilled negotiation**
- Ability to anticipate deal issues and lessen emotions during a transaction **increases likelihood of a successful closing**
- By combining process with deal timing, a skilled investment banker **preserves confidentiality**

Independent Study

*A study conducted by the University of Alabama which involved 4,468 transactions over a 20-year period, estimated that **sellers who hired investment bankers received valuation premiums of 25%***

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CASE STUDY: PROCESS DRIVES OUTCOME

Overview



Edko

- Operates 14 branches in 25 states
- Founder owned of route-based vegetation mgmt. services business
- Bossier City, LA

Marketing Highlights



Outcome

- Access to premium international and domestic buyers
- Owners received **2x** more than the preemptive offer
- Diligent preparation and strategic release of information
- Story-telling created FOMO
- Yielded **12x** market clearing multiple



MANAGED SALE PROCESS TIMELINE





EXPLORING BUYERS AND STRUCTURES

PROCESS OVERVIEW | STRUCTURE COMPARISON

M&A Transactions

Benefits

Drawbacks

Buyout

- 100% sale of the company

- Maximum valuation
- Maximum liquidity

- No second bite

Majority Recapitalization

- Sale of at least 51% of equity
- Operating control may change
- Ownership typically receives partial liquidity and potentially a growth equity investment
- Leverage used to enhance equity investor's return
- 3-7 year holding period

- Achieve shareholder liquidity
- Maintain meaningful equity ownership
- Provide opportunity for second bite
- Access to growth capital
- Leverage partner's operating expertise

- Leveraged capital structure
- May not be short-term highest price
- Ownership no longer has complete operating control

Minority Recapitalization

- Sale of less than 50% of equity
- Operating control maintained by current management
- Leverage used to enhance equity investor's return
- Longer exit horizon

- Access to growth capital
- Potential for shareholder liquidity
- Maintain meaningful equity ownership
- Greatest opportunity for second bite
- Maintains complete operating control
- Leverage partner's operating expertise
- Future investors are more receptive

- Less shareholder liquidity provided
- Ownership does not significantly diversify wealth

PROCESS OVERVIEW | BUYER COMPARISON

EdgePoint undertakes a thoughtful approach to buyer development, evaluating the market dynamics and identifying the compelling attributes of our client. We then connect those attributes with the potential buyers to develop a compelling and tailored investment thesis targeted to those buyers.

Financial Buyers

- Maximize return on investment 3-7 years
- Creates platform company with current management team
- Can be an add-on for existing portfolio companies
- Build up strategy of aggregating small entities
- More price sensitive to achieve return goals
- Implements Board of Directors and formal corporate oversight
- Bank leverage typically utilized (senior & sub debt)
- Flexibility for quick response and execution

Strategic Buyers

- Organic growth achieved through acquisition
- Acquire intellectual property /methodologies
- Acquire new market share and customer base
- Eliminate competition to achieve consolidation
- Leverage relationships and channels
- Increase revenue and accretive earnings
- Cost savings and synergies can result in higher price
- Limited or no debt necessary
- More complicated decision process

CASE STUDY: MARKET POSITIONING

Overview



PT Tech

- Heavy Industry Torsion Control & Braking Products (ESOP owned)
- Valuable intellectual property
- Wadsworth, OH

Industry Knowledge Meets Insightful Storytelling



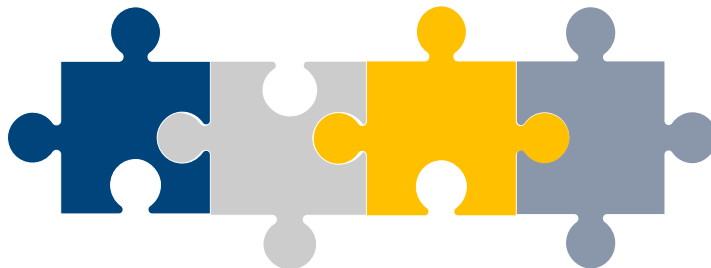
- Deep understanding of **Motion Control** sector
- Evaluated **Synergistic Value** (each company)
- Ability to create/ share a **Compelling Story**
- “**Hide the Smoke**” of a company in distress

Buyer Insights Yields Outcomes

EAT•N

TIMKEN

Altra



Bearing
Solutions

Braking
Systems

Motion
Regulators/
Torsion
Control

Power
Transmission

3

Likely Suitors within **Motion Control** sector desiring advanced technology

3

Unique Synergistic Value analysis
(*what our IP would do for them*)

12x

Market clearing multiple



IS THE MARKET READY?

Hot Subsectors for M&A Activity

Industrials



Specialty Chemicals



Industrial Automation



Industrial Distribution



Automotive Aftermarket

Business Services



Test & Measurement



HVAC



Environmental Services



Early Childhood Education

Healthcare



Home Healthcare & Hospice



Healthcare Staffing



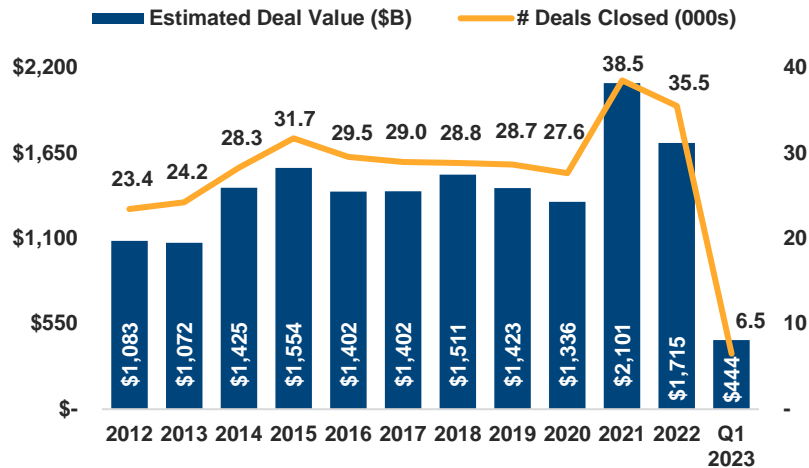
Revenue Cycle Management



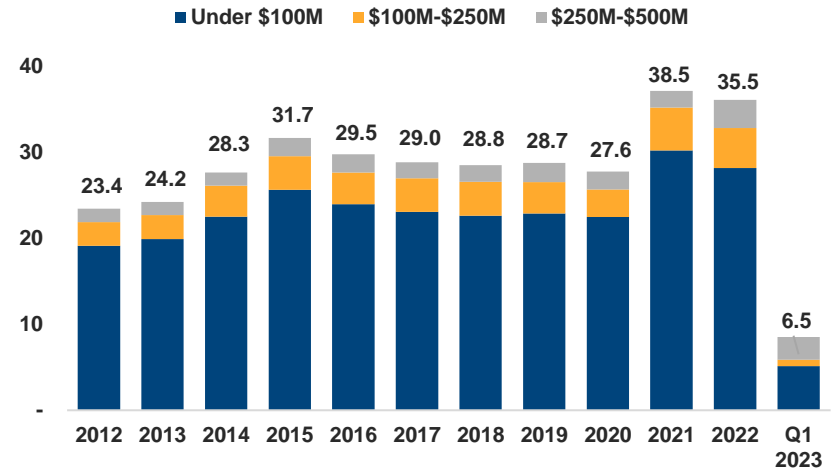
Infusion Centers

MIDDLE MARKET M&A UPDATE

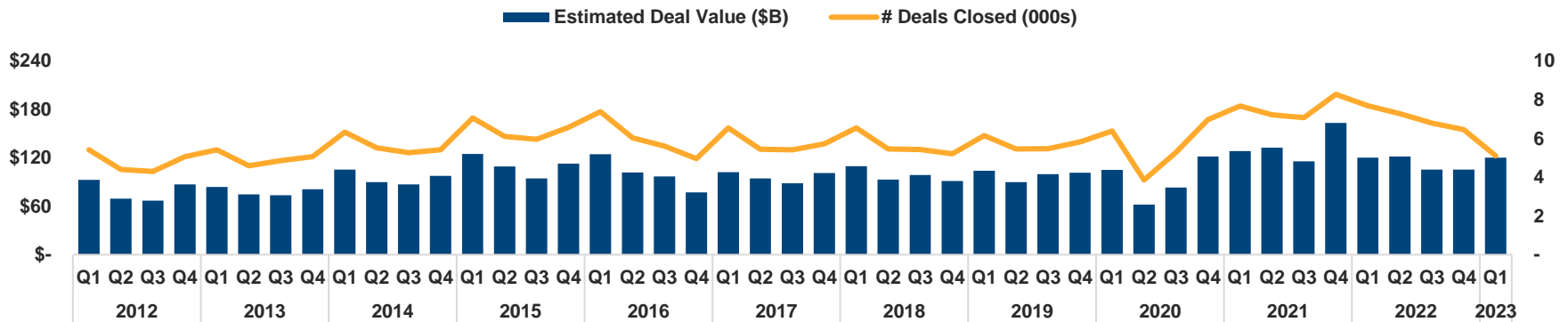
Global Middle Market Deal Flow



Global Middle Market Deal Flow by Size (000s of Deals)



Global Lower Middle Market Quarterly Deal Flow

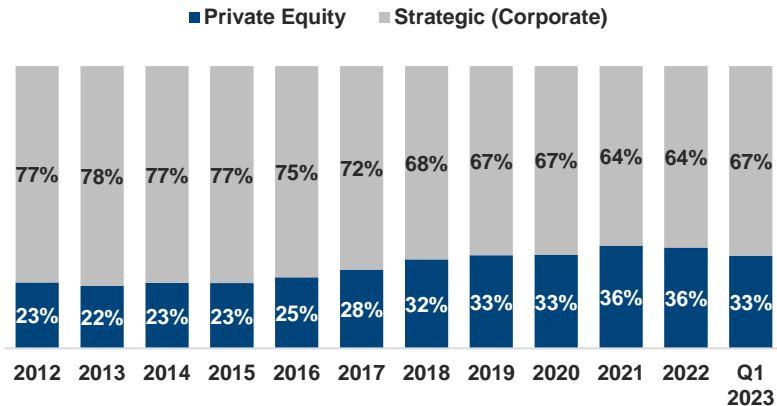


*Lower Middle Market refers to deals valued at \$100 million or less

Source: Pitchbook

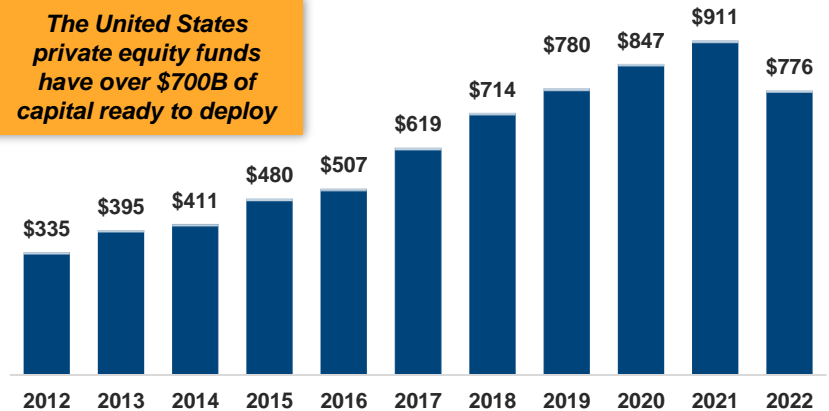
MIDDLE MARKET M&A UPDATE

Buyer Segmentation

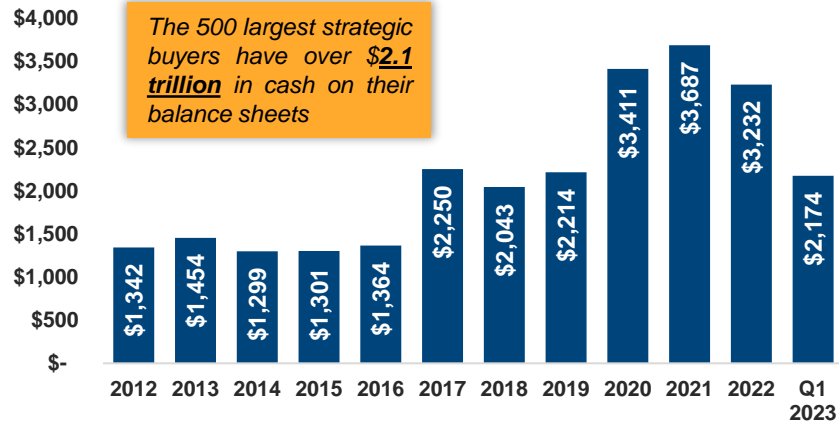


The United States Private Equity Dry Powder (\$B)

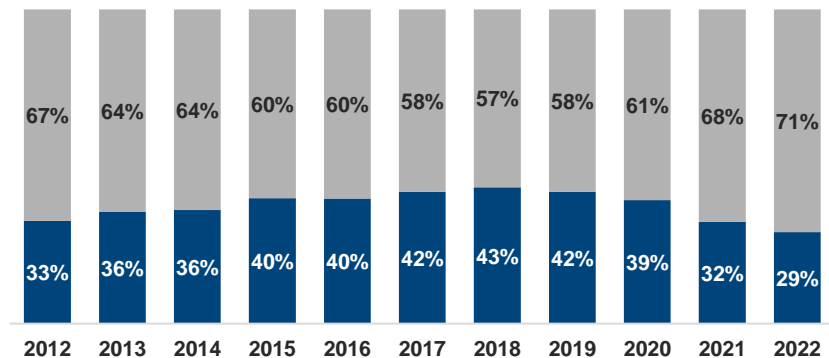
The United States private equity funds have over \$700B of capital ready to deploy



S&P 500 Cash Balances (\$B)



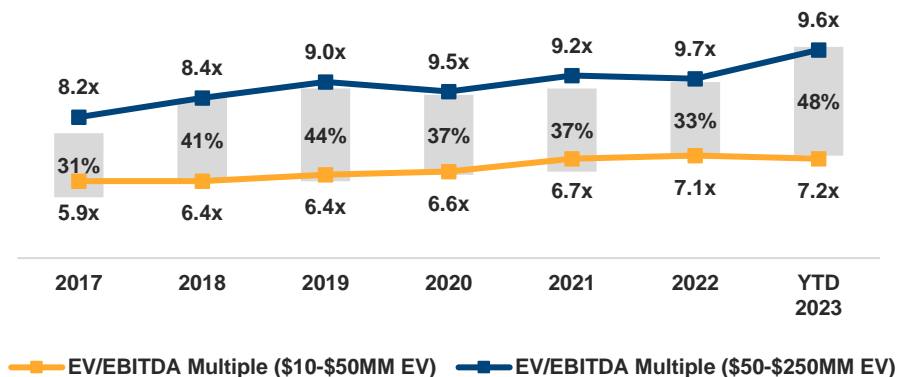
■ Dry powder ■ Remaining Value



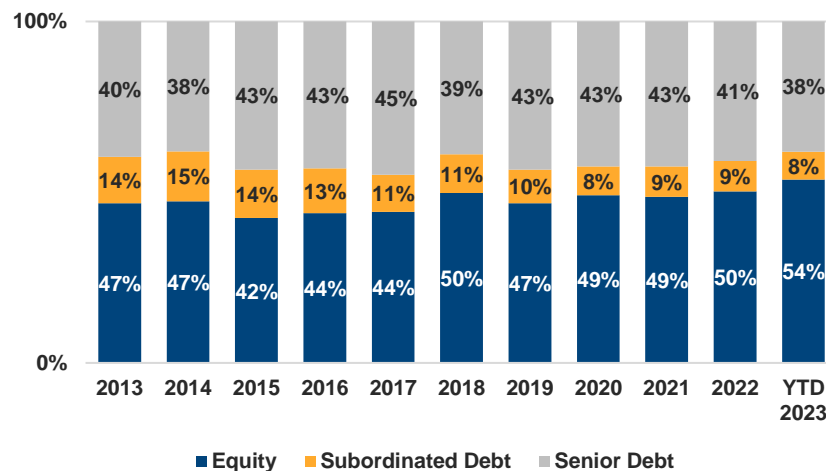
Source: Pitchbook, S&P Capital IQ

CAPITAL MARKETS UPDATE (CONTINUED)

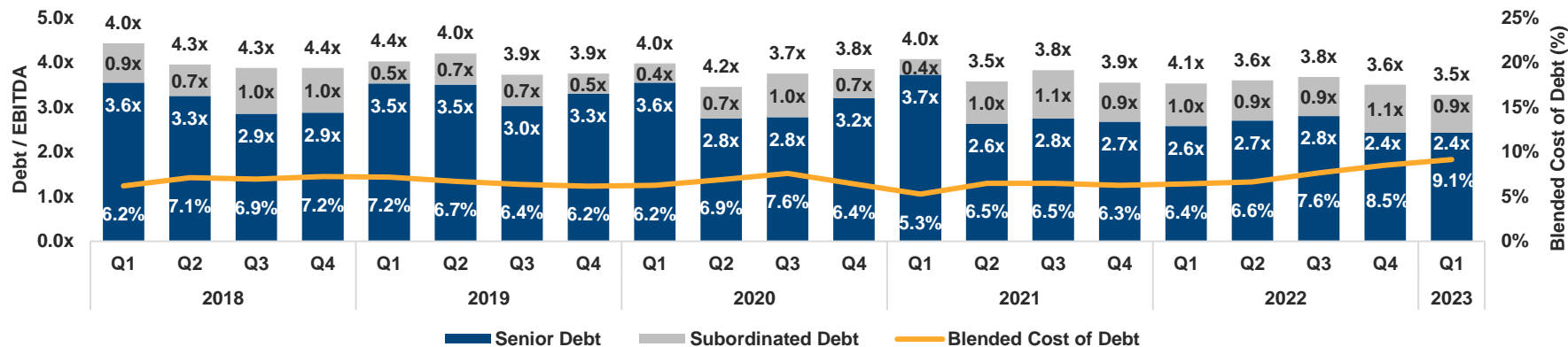
Size Premiums Across All Industries



Annual Debt and Equity Contributions



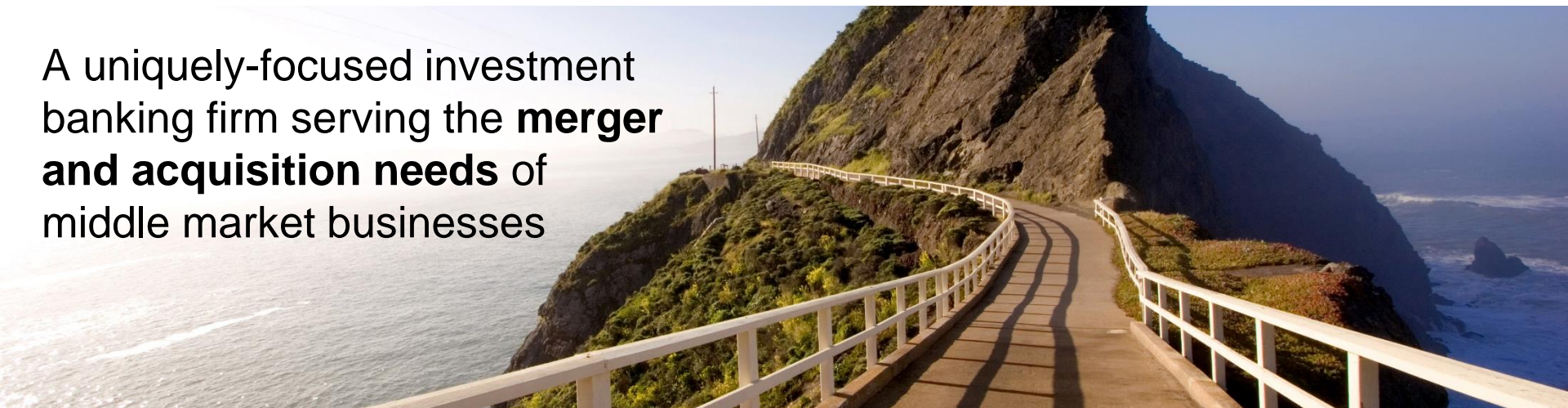
Middle Market Quarterly Leverage Ratios



Includes deals under \$250 million
Source: GF Data



A uniquely-focused investment banking firm serving the **merger and acquisition needs** of middle market businesses



“

Achieving success in an ownership transition requires clarity about your objectives, both personal and financial. We define success on your terms and your timeline, not ours.

”

Tom Zucker
President & Founder, EdgePoint

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