



Guiding Owners Through Transition

M&A
Advisory

RESULTS *with*
INTEGRITY™

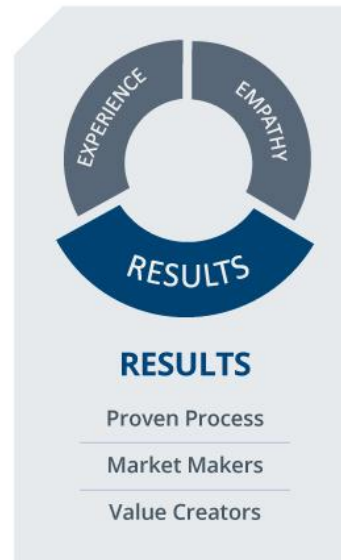
EdgePoint Capital

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



PROVEN TRACK RECORD

Business Services



has been acquired by



a portfolio company of
SKYKNIGHT

Commercial & Facility Services



has been acquired by



a portfolio company of
stellex
CAPITAL MANAGEMENT

Commercial & Facility Services



has been acquired by



Commercial & Facility Services



has been acquired by

An Undisclosed Strategic Buyer

Collections & Recovery



has been recapitalized by



Professional Services



has been acquired by



Industrial Infrastructure



has been acquired by



a portfolio company of



Professional Services



has been acquired by



Environmental Services



has been acquired by



Environmental Services

Industrials



has been acquired by



a portfolio company of



Precision Manufacturing



Artmark Products and Artmark Associates

has been recapitalized by



Distribution



has been recapitalized by



Industrial Manufacturing Plastics



has been acquired by



Industrial Manufacturing Chemical



has been recapitalized by



Precision Manufacturing



has been acquired by



a portfolio company of



Engineered Products



pgf technology group, inc.



have been recapitalized by



Precision Manufacturing



has been recapitalized by



Polymers & Chemicals



has been recapitalized by

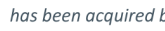


Precision Manufacturing

Healthcare



has been acquired by



Physician Services Plastic Surgery



has been acquired by



Technology & Consulting



has acquired

EBEID HOSPICE RESIDENCE

from



Home Health & Hospice Care



has been acquired by



a portfolio company of



Physician Services Vascular Center



have been acquired by



a portfolio company of



Physician Services Ophthalmology



has been acquired by



LIFE TRANSFORMING NUTRITION

Medical Equipment & Supplies



has been acquired by



Physician Services Psychiatry



has sold to

an Undisclosed Private Equity Group

Physician Services Gastroenterology



has sold to



Medical Equipment & Supplies

OTHER CAPABILITIES AND CREDENTIALS

National Presence – Global Connections

EdgePoint has completed transactions in 40+ states, and our international relationships (Alliance of International Corporate Advisors) enables us to connect with buyers worldwide. EdgePoint has completed **29 cross border transactions**.



**TRANSITION
NAVIGATOR™**

*Guiding owners
to better outcomes*

EdgePoint has developed a proprietary program designed to potential sellers to better outcomes. The program is selectively offered to prospects to get **Owner Ready, Market Ready, and Business Ready**.



Upmarket Sophistication

EdgePoint's principals have upmarket sophistication and experience including IPOs, securitizations, & sophisticated financings. We have completed over **30 corporate carve-outs** for public companies.

M&A THOUGHT LEADERSHIP

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



SCAN ME

Family Business

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



SCAN ME

Sale Preparation

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



SCAN ME

Premium Values

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

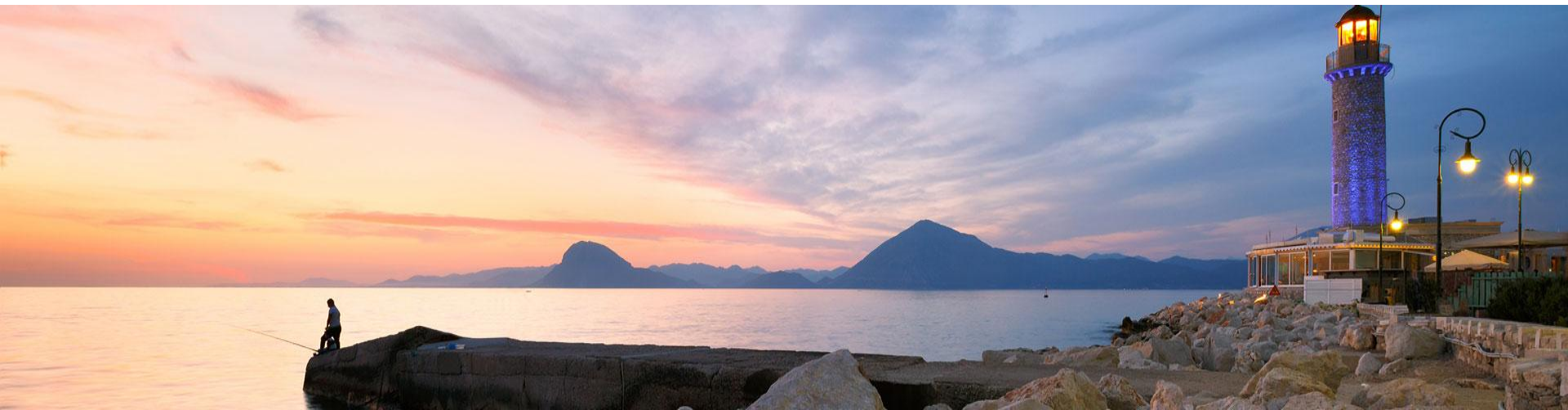
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WHEN IS THE RIGHT TIME TO SELL YOUR BUSINESS?

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

Preserve Legacy

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

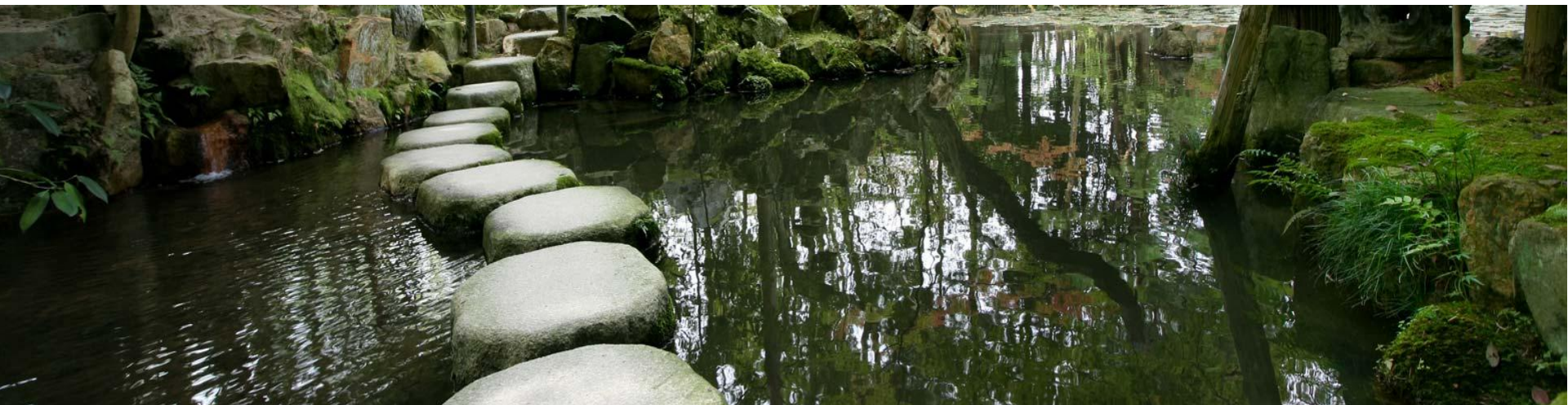
Competition: Competition drives highest price



Are qualitative factors driving decision and timing?

Most common qualitative factors impacting privately held business owners:

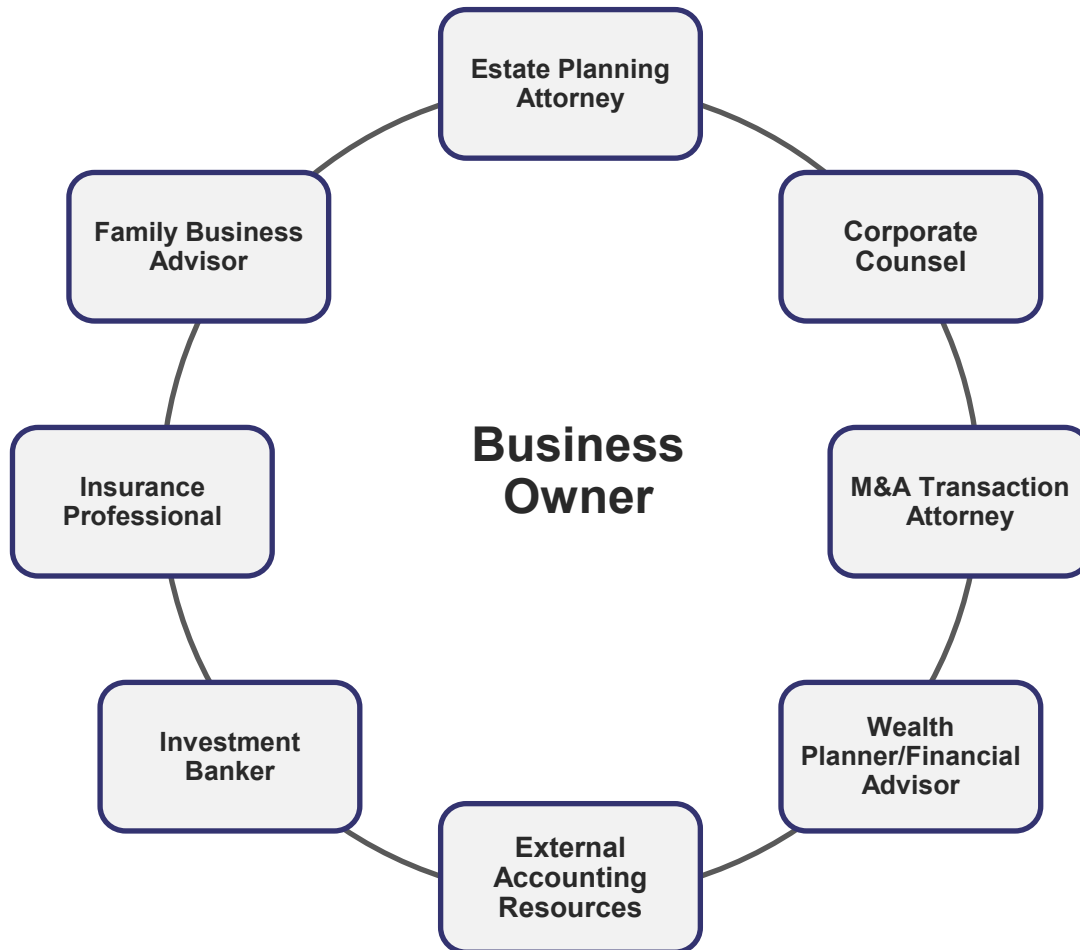
- **Family involvement** in business adding complexity to decisions
- Ownership with different expectations and **transition timelines**
- Shareholders lack of **clarity of valuation desires** and financial plans
- **Leadership gaps** or key management approaching retirement
- Ownership desires to spend **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?

IS THE BUSINESS READY?

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.

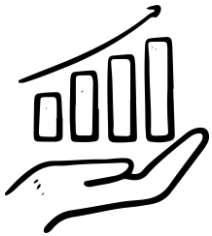
	2022	2023	2024	2025	
Revenue	40,000,000	44,000,000	48,400,000	53,240,000	
Gross Margin	12,400,000	14,080,000	16,456,000	18,634,000	
Gross Margin %	31%	32%	34%	35%	
SG&A	(7,600,000)	(7,524,000)	(8,276,400)	(9,104,040)	19%
EBITDA	4,800,000	6,556,000	8,179,600	9,529,960	
EBITDA %	12%	15%	17%	18%	
EBITDA	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



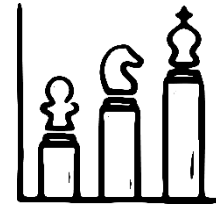
Business
Risk



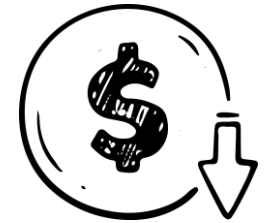
Quality of
Earnings



Insurance



Growth
Strategy



Reduce
Cost



Minimize
Taxes



Working
Capital



Real Estate



Leadership



Web/PR/Social

CASE STUDY: LIQUIDITY & CONTROL

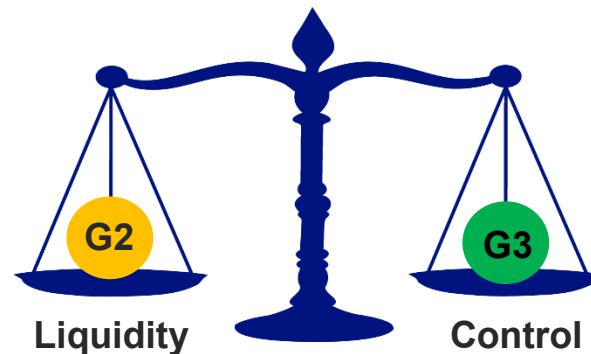
Overview



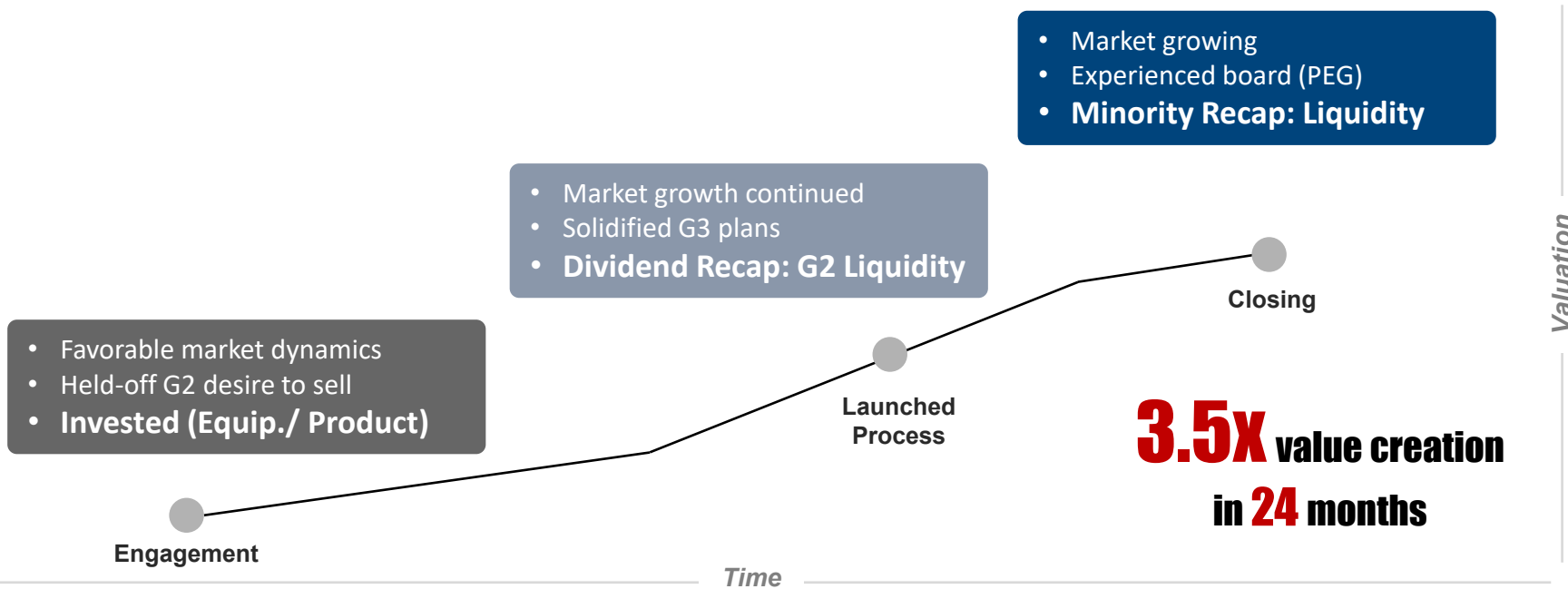
Simmons Grain

- 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



**Electrification /
Power Generation**



**Industrial
Automation**



**Industrial
Distribution**



**Industrial Safety
Products**

Business Services



**Test &
Measurement**



HVAC



**Environmental
Services**



**Early Childhood
Education**

Healthcare



**Home Healthcare
& Hospice**



**Healthcare
Staffing**



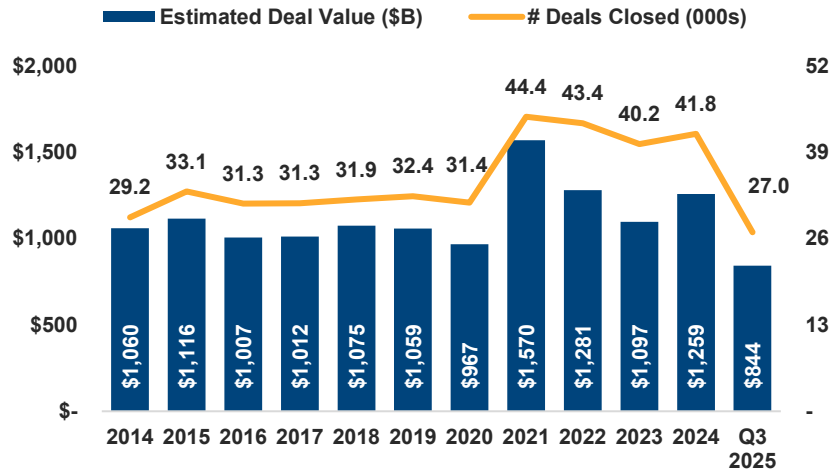
**Revenue Cycle
Management**



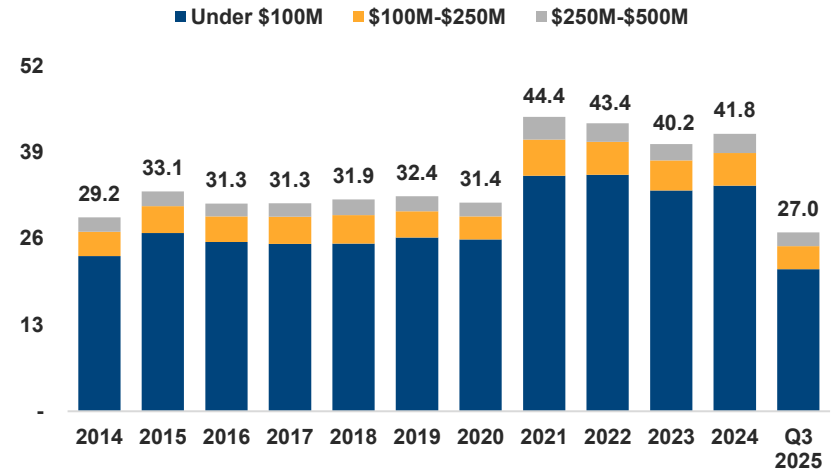
Behavioral Health

MIDDLE MARKET M&A UPDATE

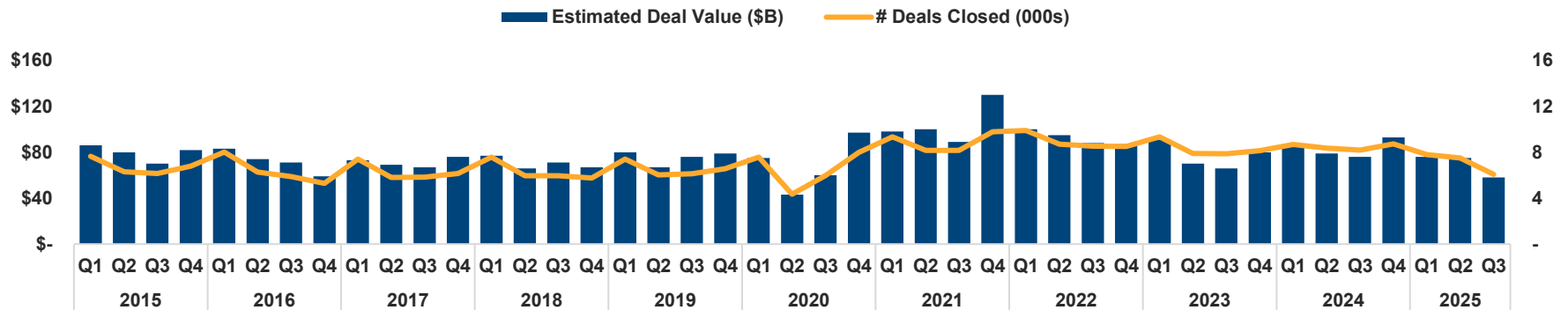
Global Middle Market Deal Flow



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



Global Lower Middle Market Quarterly Deal Flow



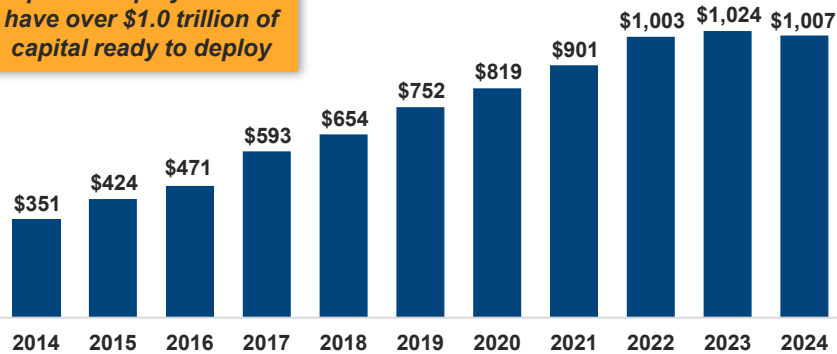
*Lower Middle Market refers to deals valued at \$100 million or less

Source: Pitchbook

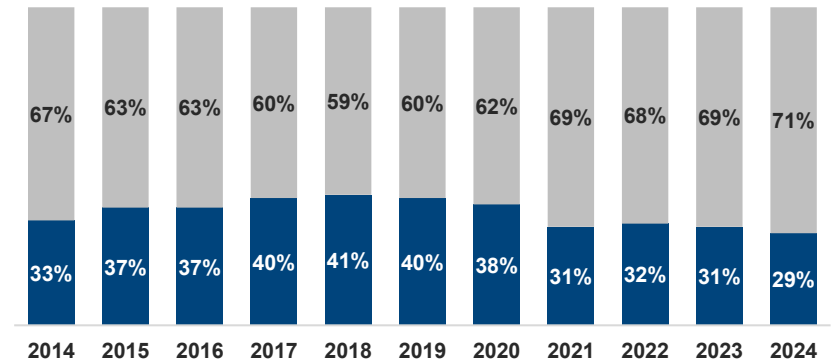
MIDDLE MARKET M&A UPDATE

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

The United States private equity funds have over \$1.0 trillion of capital ready to deploy

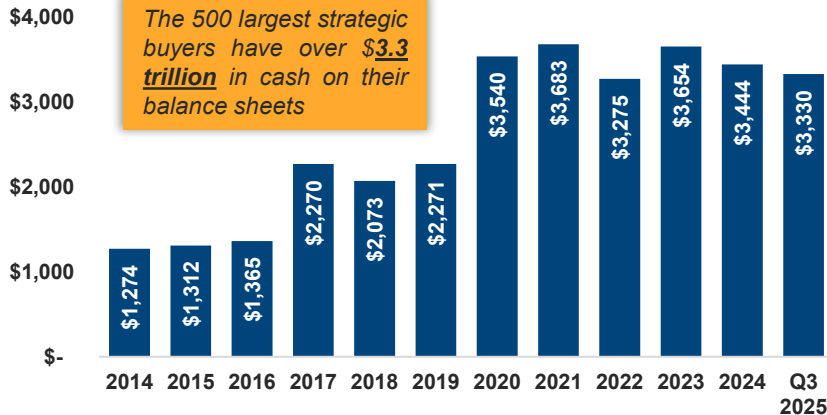


■ Dry Powder ■ Remaining Value



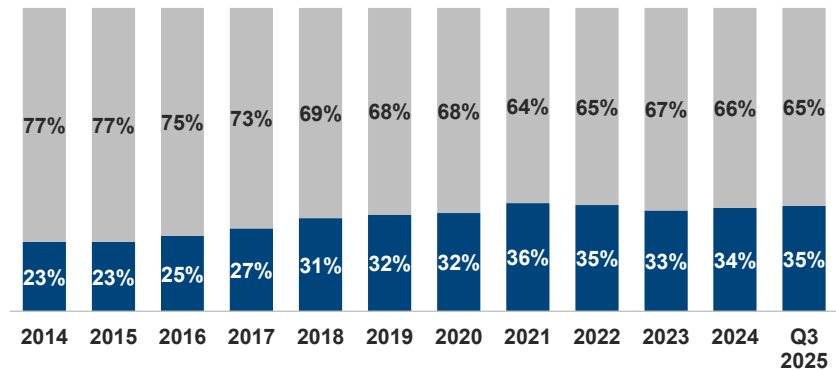
S&P 500 Cash Balances (\$B)

The 500 largest strategic buyers have over \$3.3 trillion in cash on their balance sheets



Buyer Segmentation

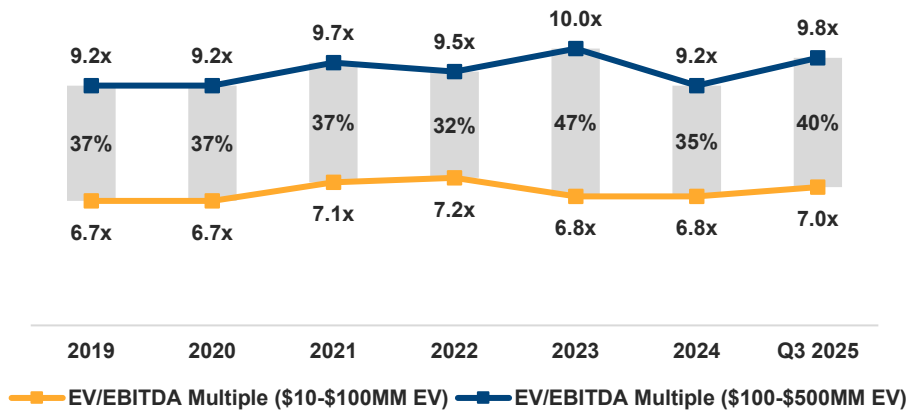
■ Private Equity ■ Strategic (Corporate)



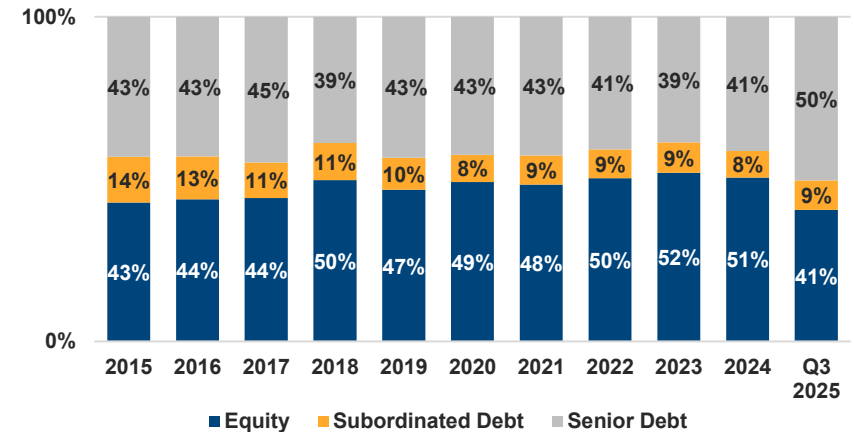
Source: Pitchbook, S&P Capital IQ

CAPITAL MARKETS UPDATE (CONTINUED)

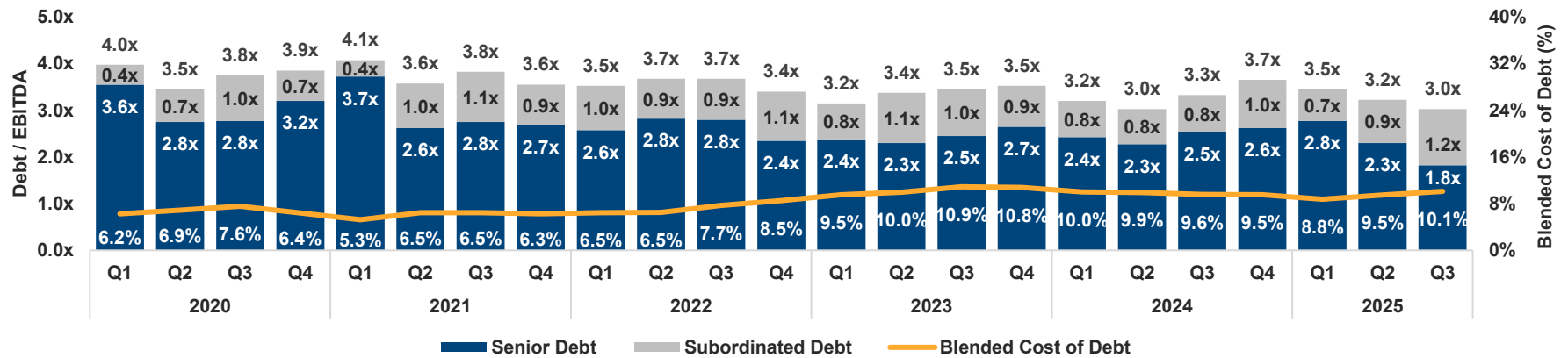
Size Premiums Across All Industries



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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