



# Guiding Owners Through Transition

# 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



Commercial & Facility Services



has been acquired by



a portfolio company of



Commercial & Facility Services



has been acquired by



Commercial & Facility Services

## Healthcare



has been acquired by



Physician Services Plastic Surgery



has been acquired by



Technology & Consulting



has acquired



from



Home Health & Hospice Care



has been acquired by

An Undisclosed Strategic Buyer



has been recapitalized by



Collections & Recovery



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



Armark Products and Armark 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



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



Medical Equipment & Supplies



and



have been recapitalized by



a portfolio company of



Precision Manufacturing



has been recapitalized by



15 YEARS

Polymers & Chemicals



has been recapitalized by



Precision Manufacturing



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.**



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.

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

# 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:

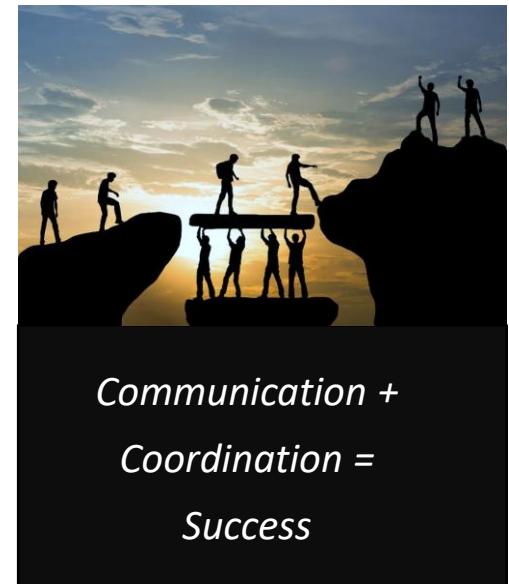
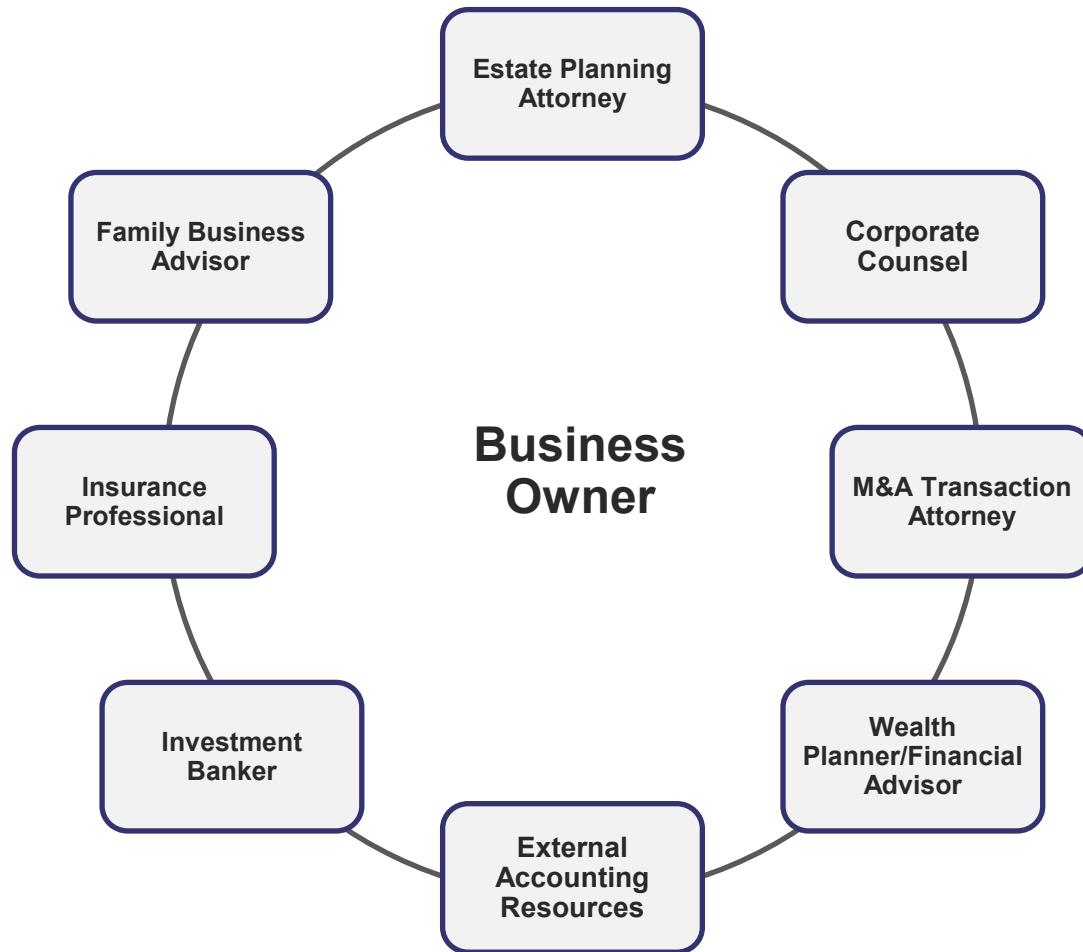
- **Family involvement** in business adding complexity to decisions
- Ownership with different expectations and **transition timelines**
- Shareholders lack of **clarity of valuation desires** and financial plans
- **Leadership gaps** or key management approaching retirement
- Ownership desires to spend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

# 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.***



## 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	19%	(7,600,000)	(7,524,000)	(8,276,400)	(9,104,040)
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	

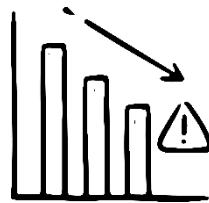
**Value Creation** **\$ 40,274,700**

# Is THE BUSINESS READY?

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



Increase  
Margins



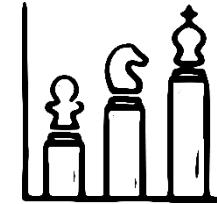
Business  
Risk



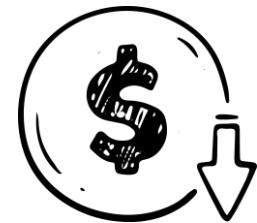
Quality of  
Earnings



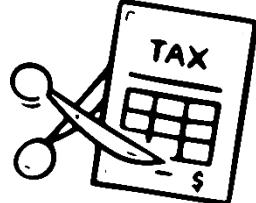
Insurance



Growth  
Strategy



Reduce  
Cost



Minimize  
Taxes



Working  
Capital



Real Estate



Leadership



Web/PR/Social

# CASE STUDY: LIQUIDITY & CONTROL

## Overview



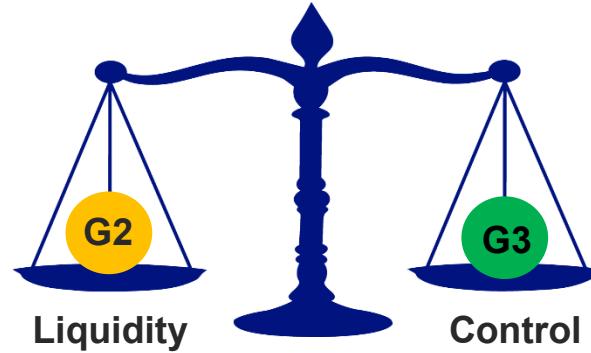
has partnered with



### Simmons Grain

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

## How to Achieve Both Goals?



## Thoughtful Process

- Favorable market dynamics
- Held-off G2 desire to sell
- **Invested (Equip./ Product)**

- Market growth continued
- Solidified G3 plans
- **Dividend Recap: G2 Liquidity**

- Market growing
- Experienced board (PEG)
- **Minority Recap: Liquidity**

Engagement

Launched Process

Closing

Time

**3.5X value creation  
in 24 months**

Valuation



**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%*

**M&A**  
Advisory

RESULTS with  
INTEGRITY™

# CASE STUDY: PROCESS DRIVES OUTCOME

## Overview



has been acquired by



### Edko

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

## Marketing Highlights

178 Buyers Contacted

40 Offers

8 MP

## 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

Winning Offer- 37%  
increase from initial offer



# MANAGED SALE PROCESS TIMELINE

Phase I Preparation	Phase II Marketing	Phase III Mgmt Presentations / Data Room	Phase IV Negotiation & Closing
<b>6 Weeks</b> <ul style="list-style-type: none"><li>▪ Organizational / Kick off Meeting</li><li>▪ EP Due Diligence fulfillment of data request list</li><li>▪ Complete 3<sup>rd</sup> party Quality of Earnings analysis &amp; report</li><li>▪ Prepare “Teaser” summary and NDA</li><li>▪ Draft Confidential Information Memo (CIM)</li><li>▪ Develop buyer list for marketing and outreach</li><li>▪ Finalize financial projections / financial model and analysis</li></ul>	<b>4 Weeks</b> <ul style="list-style-type: none"><li>▪ Launch marketing process and begin calling buyers</li><li>▪ Distribute Teaser and NDAs</li><li>▪ Negotiate and execute NDAs with interested parties</li><li>▪ Begin distribution of CIM to buyers</li><li>▪ Follow up with buyers to answer questions and provide feedback</li><li>▪ Begin drafting Management Presentation (MP) and determine MP logistics</li><li>▪ Prepare Virtual Data Room</li><li>▪ Preliminary Indications of Interest (IOIs) due</li></ul>	<b>6 Weeks</b> <ul style="list-style-type: none"><li>▪ Review IOIs; Select short list of buyers to invite forward</li><li>▪ Host Management Presentations with Potential Buyers;</li><li>▪ Provide facility tours / site visits as appropriate.</li><li>▪ Reaffirm buyer interest and valuation; Open virtual data room</li><li>▪ Respond to due diligence questions; provide bidding instructions for Letters of Intent</li><li>▪ Letters of Intent (LOIs) due</li><li>▪ Negotiate best terms and price; Sign LOI with final buyer</li></ul>	<b>8 Weeks</b> <ul style="list-style-type: none"><li>▪ Organizational call to establish project plan and milestones</li><li>▪ Maintain VDR to facilitate confirmatory due diligence</li><li>▪ Host and manage buyer's advisors and agent's due diligence</li><li>▪ Draft and negotiate definitive transaction agreements</li><li>▪ Prepare disclosure schedules and ancillary documents</li><li>▪ Secure third party approvals and consents as needed</li><li>▪ Sign definitive agreements</li><li>▪ Close Transaction</li></ul>
<b>Phase I Deliverable:</b> Information Memorandum	<b>Phase II Deliverable:</b> Indications of Interest	<b>Phase III Deliverable:</b> Letter of Intent	<b>Phase IV Deliverable</b> Closed Transaction



## 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	Strategic Buyers
<ul style="list-style-type: none"><li>• Maximize return on investment 3-7 years</li><li>• Creates platform company with current management team</li><li>• Can be an add-on for existing portfolio companies</li><li>• Build up strategy of aggregating small entities</li><li>• More price sensitive to achieve return goals</li><li>• Implements Board of Directors and formal corporate oversight</li><li>• Bank leverage typically utilized (senior &amp; sub debt)</li><li>• Flexibility for quick response and execution</li></ul>	<ul style="list-style-type: none"><li>• Organic growth achieved through acquisition</li><li>• Acquire intellectual property /methodologies</li><li>• Acquire new market share and customer base</li><li>• Eliminate competition to achieve consolidation</li><li>• Leverage relationships and channels</li><li>• Increase revenue and accretive earnings</li><li>• Cost savings and synergies can result in higher price</li><li>• Limited or no debt necessary</li><li>• More complicated decision process</li></ul>

# CASE STUDY: MARKET POSITIONING

## Overview



have been acquired by

**TIMKEN**

## PT Tech

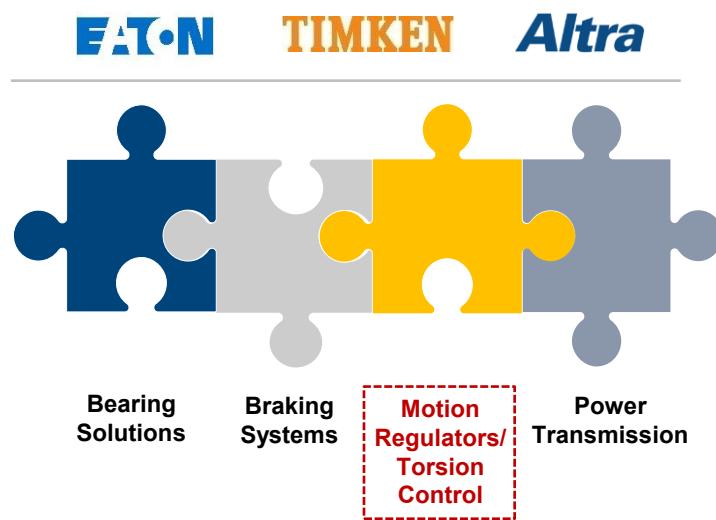
- Heavy Industry Torsion Control & Braking Products (ESOP owned)
- Valuable intellectual property
- Wadsworth, OH

## 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



**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



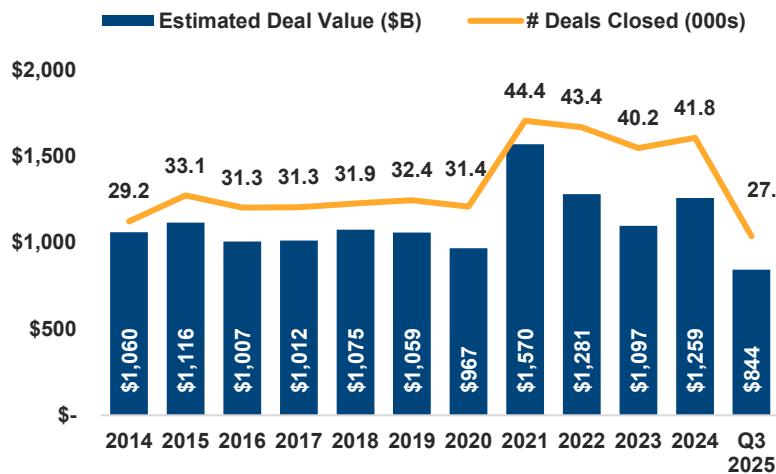
Revenue Cycle  
Management



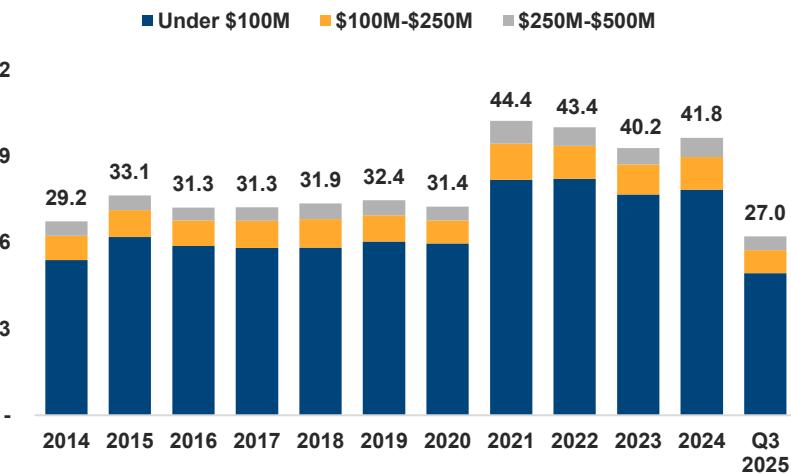
Behavioral Health

# MIDDLE MARKET M&A UPDATE

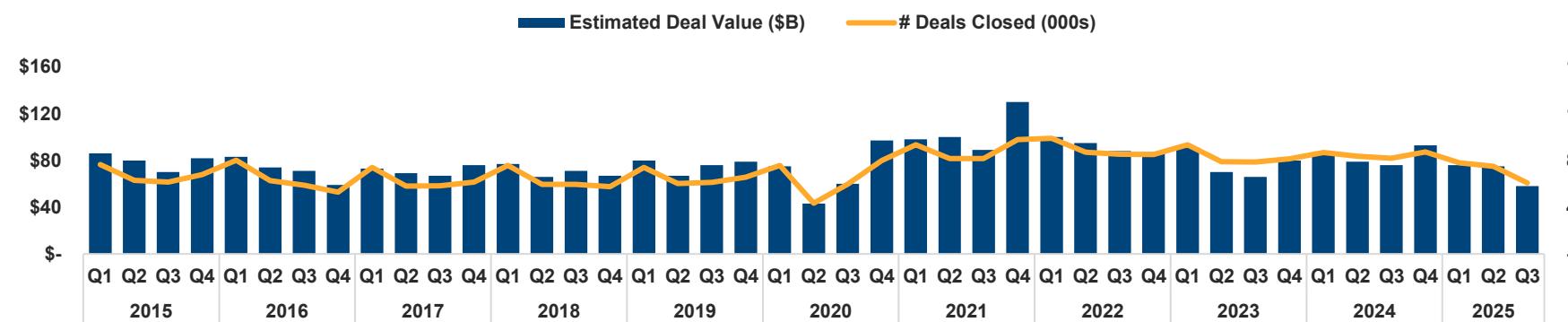
## Global Middle Market Deal Flow



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



## Global Lower Middle Market Quarterly Deal Flow

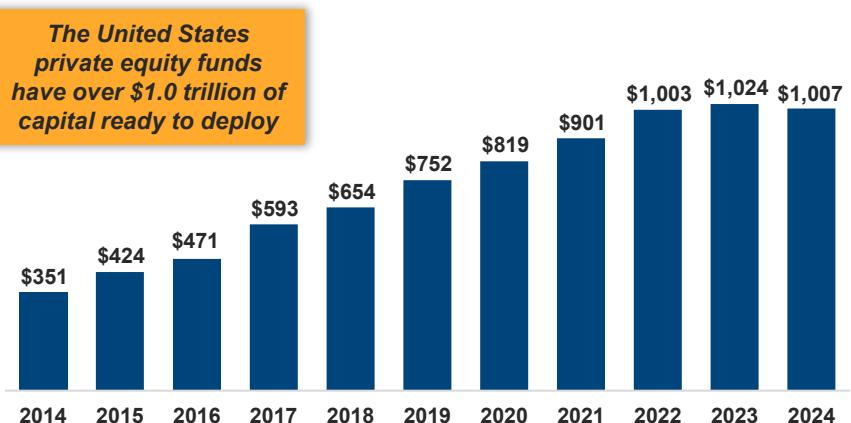


\*Lower Middle Market refers to deals valued at \$100 million or less

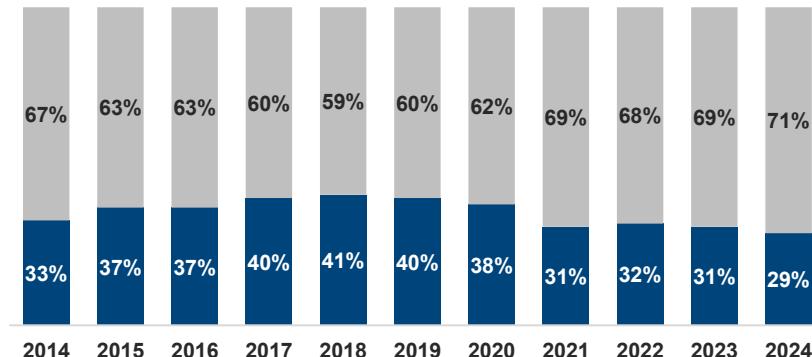
Source: Pitchbook

# MIDDLE MARKET M&A UPDATE

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



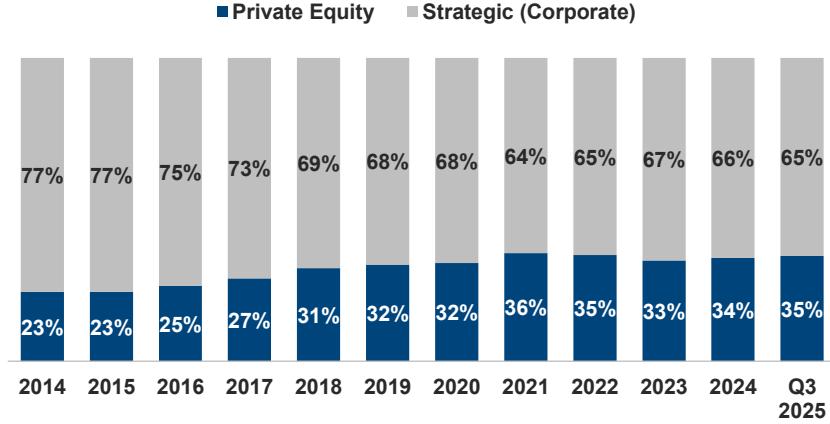
Dry Powder Remaining Value



## S&P 500 Cash Balances (\$B)



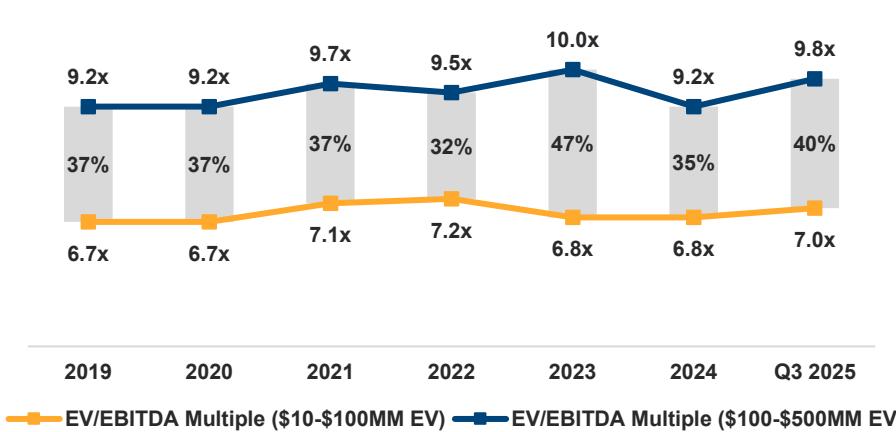
## Buyer Segmentation



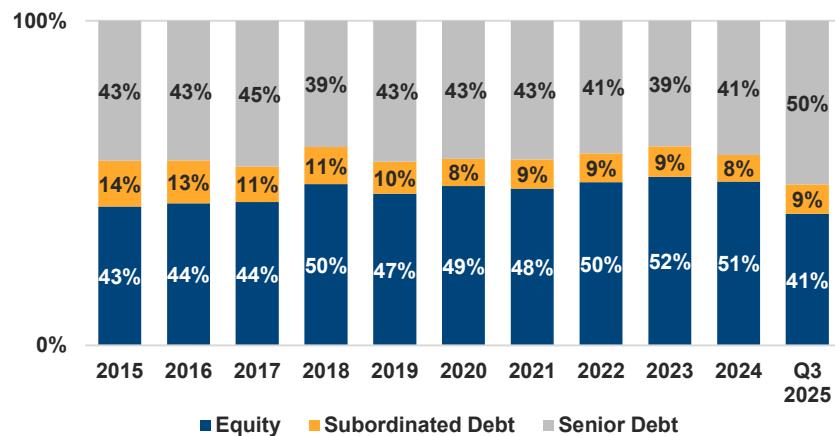
Source: Pitchbook, S&P Capital IQ

# CAPITAL MARKETS UPDATE (CONTINUED)

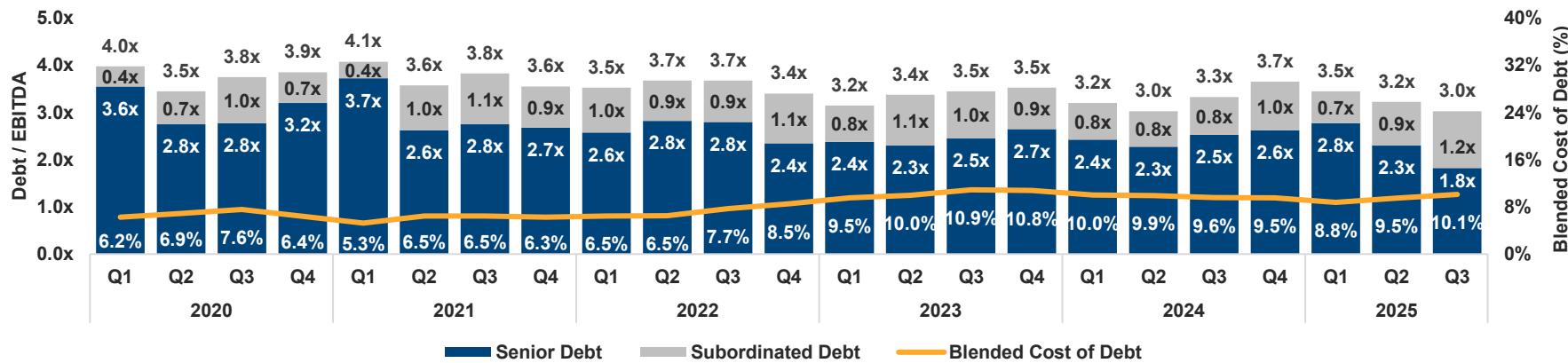
## Size Premiums Across All Industries



## 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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