

ARE YOU READY TO SELL?



ATSI June 2021

Paul DelFino

TODAY'S OBJECTIVES

- To Share the Process on How DEALS GET DONE
- To Allow You to Evaluate Your Preparedness for a DEAL
- To Leave You with Considerations to Formulate Your Plan
- To Explore in Detail Any Issues or Dimension that You Request

TODAY'S APPROACH

□ PART I

- Where Do Things Fit in Your Strategy?
- Are You Ready?
- How Do I Start? Where Do I Go?

□ PART II

- Valuation

□ PART III

- How Do I Manage The Process?

GOOD NEWS

41% of Small Companies
Wanting to Sell Do,
Within Striking Distance of
Owners' Desired
Numbers

BAD NEWS

- 78% of Mergers and Acquisitions Fall Apart Within Three Years
- 55% of Alliances Fall Apart Within Three Years
- 23% of Firms Never Recover the Costs of Beginning a Corporate Marriage Process

TODAY'S MESSAGE

If You Remember Only One Thing From Today, Remember This!

- The Corporate Courtship Process is an Expensive Minefield.

You'd Best Have:

- 1) A Plan that Suggests It Fits;
- 2) A Map on How to Navigate Through;
- 3) A Team Who Can Back You Up During the Game

WHY ARE MERGERS, BUYOUTS AND ALLIANCES SO HOT?

External Factors

- Acceleration in Traditional Business Maturity Cycle
- Globalization of Demand
- Requirements of Scale Economy and Efficiency to be Competitive
- Trends to Increased Specialization
- Technology

WHY ARE MERGERS, BUYOUTS AND ALLIANCES SO HOT?

What Businesses Are Looking For

- Decreased Time to Market
- Enhanced Marketing/Sales Distribution
- Access to New Technology
- Improved Product Development
- Defense of Market Share at all Costs
- Scale
- Succession Solution

DELFINO'S RULE

“Every day you hold stock, you made a decision to buy it!”

- Paul DelFino

EVERY DAY, YOU MAKE A DECISION TO . . .

- Stay Where You Are If You Are Satisfied!
Will the Market and Competition Allow That?
- Fund Managed Growth through Operations
Are Your Margins Strong Enough?
- Merge & Acquire
Are You Personally and Corporately Prepared?
- Form an Alliance
Are You Personally and Corporately Prepared?
- Sell - Partial or Full
Are You Personally and Corporately Prepared?

THE DOZEN REASONS MERGERS, ALLIANCES & ACQUISITIONS FAIL

1. Culture
2. Culture
3. Culture
4. Mismatch in Priority
5. Mismatch in Management Style & Organization/Maturity/Size
6. Failure to Define Measurements and Plans
7. Greed
8. Failure to Consider Regulatory Impacts
9. Failure of One Partner to Restructure/Resource Appropriately
10. Outside Market Forces
11. Valuation
12. Process

WHAT YOU CAME HERE TO LEARN

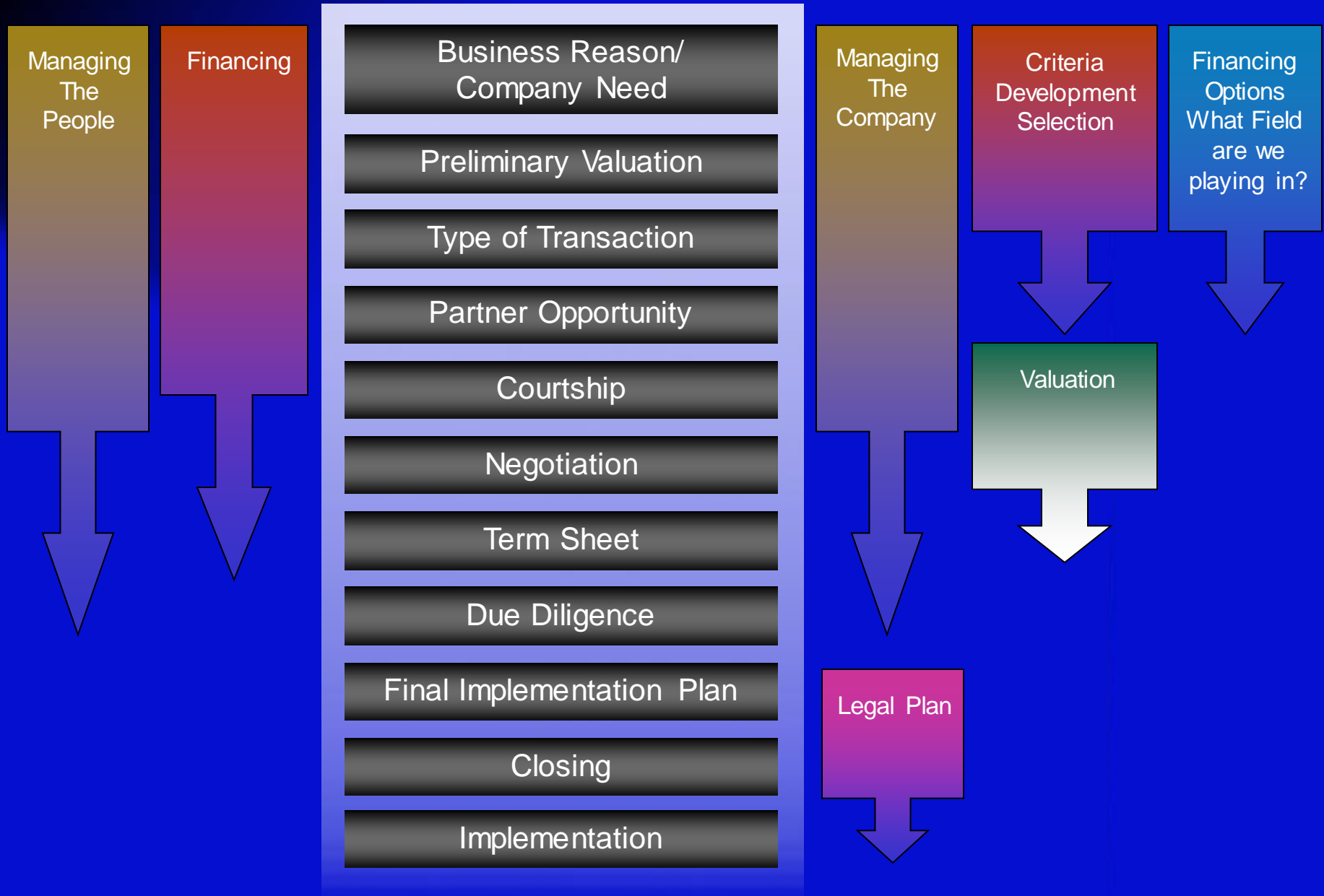
- Clean Up Your Financials
- Get Expert Valuation Resource
- Plan Your Personal Exit Plan
- Push To Increase Sales
- Build A Transaction Team
- Maximize Cash Up Front
- Keep Emotion Out Of It

AND

**PUT SPECIAL
FOCUS ON A TAX
PLAN**

The Process

The Process



BUSINESS REASON AND COMPANY NEED

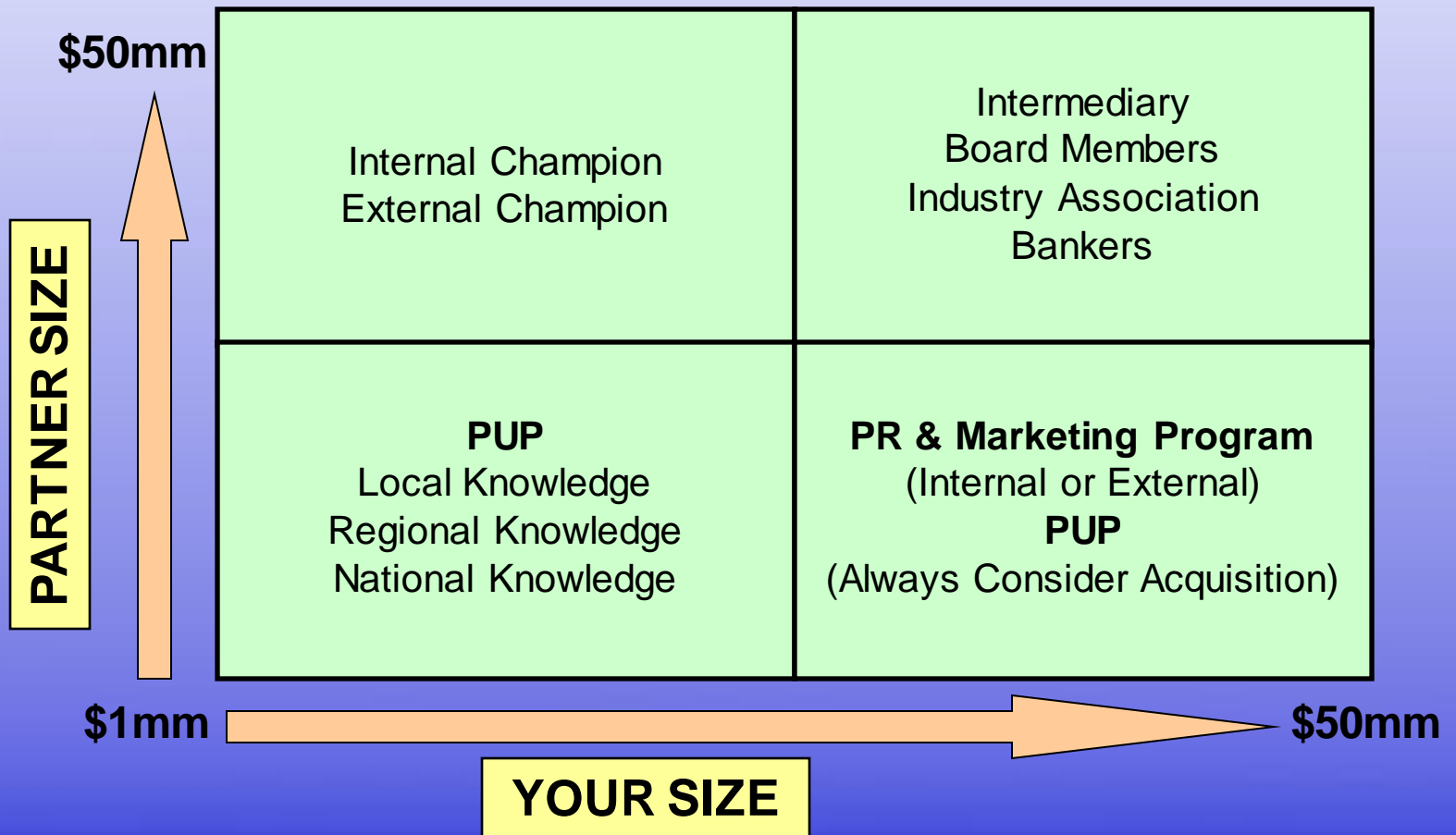
If there has been no Strategic Planning to motivate a Deal, you have to complete a Plan that:

- ❑ Allows you to Understand your Positioning and Value in the Industry/Market.
- ❑ Itemizes the Core Competencies of your Organization
- ❑ Projects a Financial Future without the Compromises of a Partner
- ❑ Develops Alternative Option Plans
- ❑ Anticipates a Competitive Response

WHERE DO I BEGIN TO LOOK FOR A PARTNER?

- Establish Quantifiable Criteria and Requirements
- Judge Complementary Technologies and Cultures
- Involve Personnel to be Impacted

MATCHMAKING IN THE ALLIANCE GAME



PUP = Pick Up the Phone/Whisper Marketing

MATCHMAKING IN THE M&A CAPITAL ACQUISITIONS GAME

	\$2mm Company	\$10mm Company	\$50mm Company
In Region	PUP	PUP	Investment Banker
National	PUP	Broker Dealer Intermediary	Investment Banker Broker Dealer
Global	Intermediary (Geographic Expertise)	Intermediary (Geographic Expertise)	Intermediary (Geographic Expertise)
Financial	Family Professional Advisors Trade Associations Venture Capital	Venture Capital	Investment Banker Venture Capital

CULTURE IS CRITICAL AND MUST BE FACTORED INTO YOUR PREPLANNING

Watch for Mismatches in:

- ❑ Quality Sensitivity
- ❑ Value on Administrative Discipline
- ❑ Management Styles
- ❑ Employee Sensitivity and Policies
- ❑ Compensation Arrangements
- ❑ Urgency Mismatch
- ❑ Predatory Thinking

DEFINE YOUR ARENA (Preliminary Valuation)

Approximate Value of My Company is: _____

Target companies would be between _____ and
_____ in value.

Based On:

1. _____
2. _____
3. _____

DEFINITION OF VALUE

DIFFERENT THINGS TO DIFFERENT PEOPLE

- Emotional Value versus Economic Value
- Liquidation Value versus Going Concern Value
- Book Value versus Fair Market Value

DEFINITION OF VALUE

Fair Market Value:

The Price at which stock would change hands between a Willing Buyer and a Willing Seller when Buyer does not need to buy and Seller does not need to sell.

DEFINITION OF VALUE

*Purpose of Valuation Will Change Characterization
of Willing Buyer and Willing Seller,
Thus Impacting Value.*

Why Value?

Estate Planning
Gifts
ESOPs
Re-Capitalization
IPO's
Juswannano
Mergers and Acquisitions

DEFINITION OF VALUE

RELATIVE BUSINESS VALUES



WHO SETS THE STANDARDS?

- Internal Revenue Service
 - Rulings and Pronouncements
 - RR 59-60 Valuing Closely Held Businesses
- U.S. Department of Labor
 - Business Valuations for ESOPs
- The Market Place - “Wall Street”

THE EXPERTS

- Certified Public Accountants
 - National Association of Certified Valuation Analysts
- American Society of Appraisers
- Investment Bankers

THE PROCESS

Valuation of a Privately Held Company:

- Can be Timely and Complex
- Varies Based On:
 - Purpose
 - Complexity
 - Price

THE PROCESS

SCOPE OF THE PROCESS

- Review and Analysis of Financial Statements
- Review of Operations and Facilities
- Discussions/Interviews with Key Personnel
- Review of Strategies, Markets and Share
- Study of External Environment:
 - Competitors
 - Industry
 - Economy

THE PROCESS

HISTORICAL INFORMATION

PRELIMINARY RATIO ANALYSIS

ADJUSTMENTS

COMPARE TO INDUSTRY

FMV ADJUSTMENTS

ECONOMIC REALTY

COMMONLY USED METHODS:

ADJUSTED
NET ASSETS

CAPITALIZATION
OF EARNINGS

DISCOUNTED
CASH FLOW

GUIDELINE
COMPANY

RULES OF
THUMB

WAG

SIMPLISTICALLY

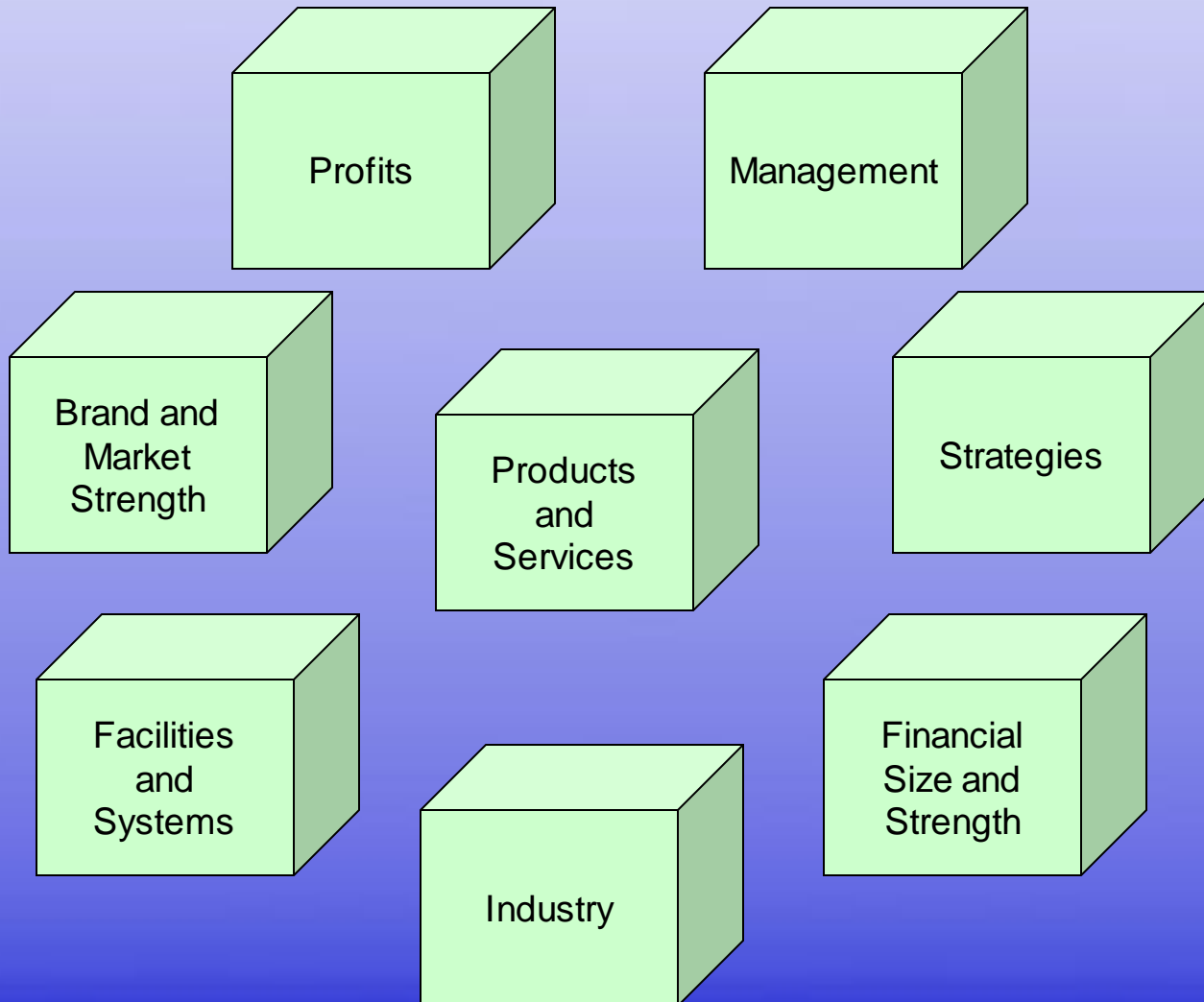
*The Value of Your
Company is a Multiple of
Believable, Projected
EBITDA*

ISSUES OR VARIABLES ARE:

- Definition of Benefits
- Projections
- Discount Rate
- Time Period

***Building Blocks
of Value will
impact how
these Issues are
Resolved***

Building Blocks of Value



CONSIDER YOUR COMPANY

- Do your Financial Statements fully reflect the true Value?
- What are the Business Components?
 - What are their Relative Earnings Capacities?
- What is the Plan for the Future?
 - The Opportunities and Threats
- Is your Business Transferable?

WAYS TO MAXIMIZE VALUE

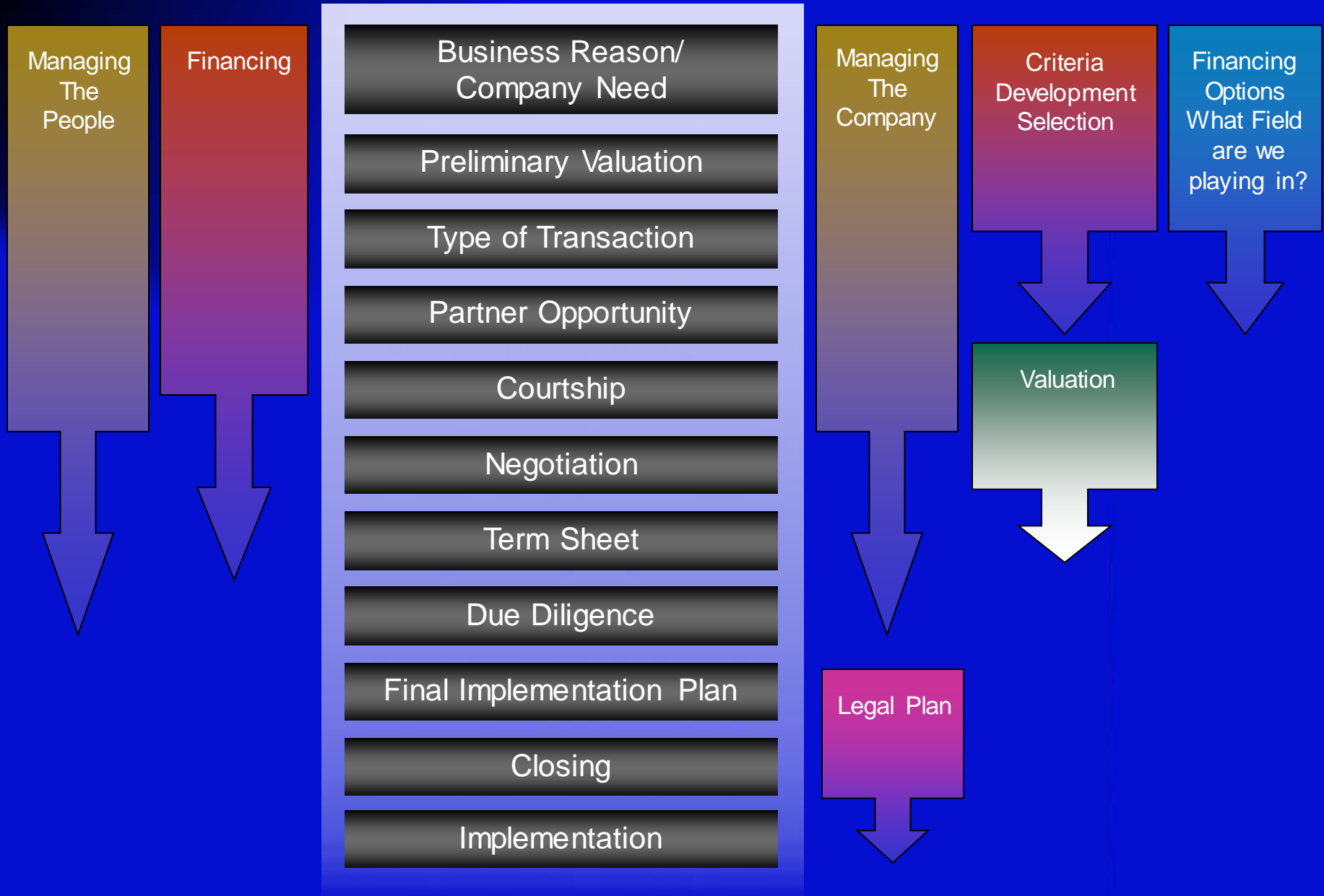
- Earnings
- Earnings
- Earnings
- Management
- Financial Controls
- Operating Methods
- Financial Strength and Liquidity

AGAIN - SEQUENCE OF TO DO'S

- Clean Up Your Financials
- Get Expert Valuation Resource
- Plan Your Exit Plan
- Push To Increase Sales
- Build A Transaction Team
- Maximize Cash Up Front
- Keep Emotion Out Of It
- Tax PLAN

MANAGING THE PROCESS

The Process

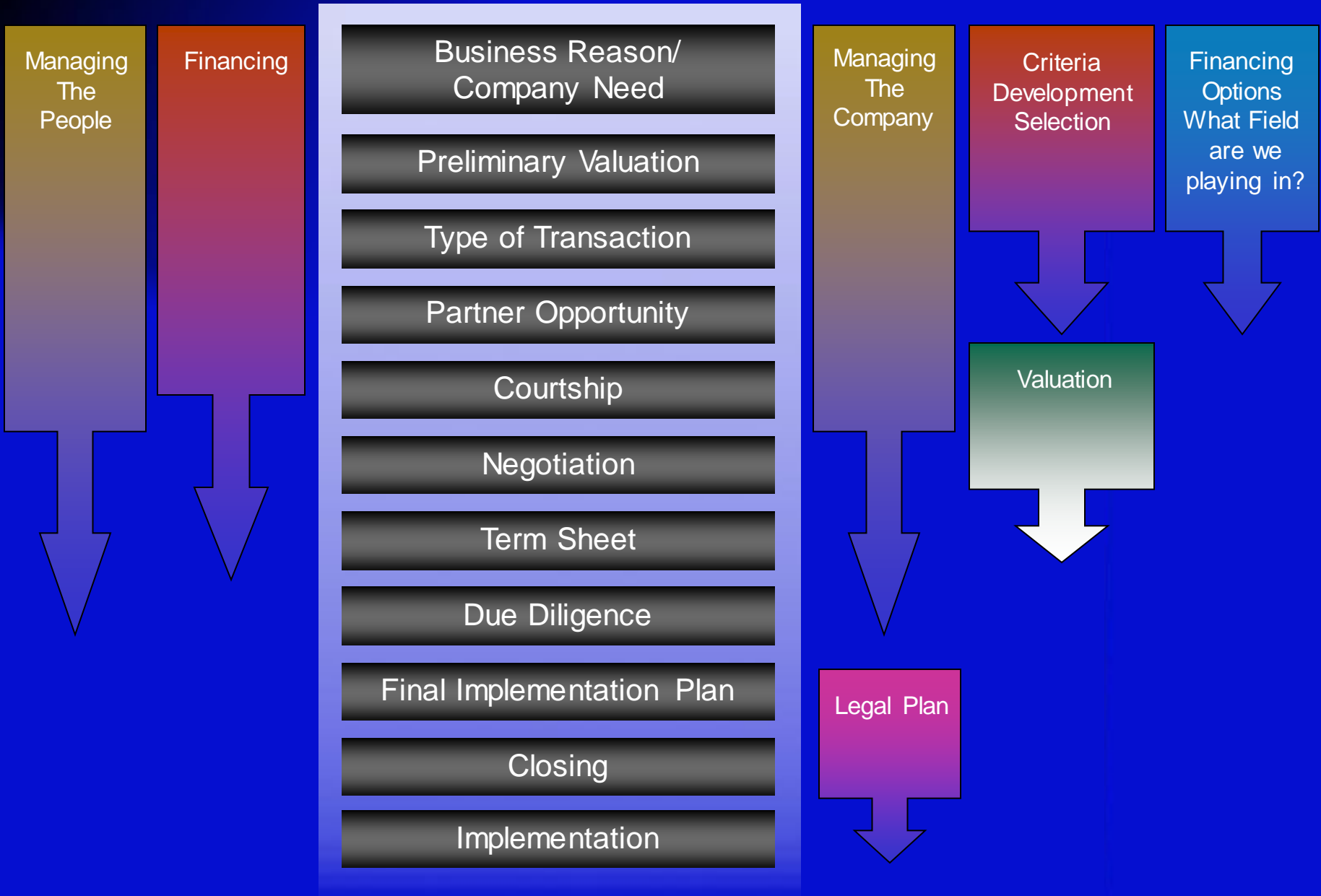


MANAGING THE UNEXPECTED

The Top Ten List

- Higher Bids
- Employee Dissatisfaction
- Financing Problems
- Board Change of Heart - Either Side
- Runaway Due Diligence
- Infinite Time to Completion
- Out of Control Costs to Complete the Transaction
- Change of Top Management During the Process
- Dramatic Change in Financial Condition
- Market Conditions Change

The Process



CONCLUSION

**HAVE
A
PLAN**

**BUILD
A
TEAM**

**GET DOCS
READY
&
EARNINGS
UP**