FIGURES SUPPLEMENT FOR THE

17 REASONS

Your Company Is NOT INVESTMENT GRADE & *What To Do About It*

PRACTICAL ADVICE FROM AN OWNER & INVESTMENT BANKER

ZANE TARENCE

AUDIOBOOK

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OWN PURPOSE PUBLISHING

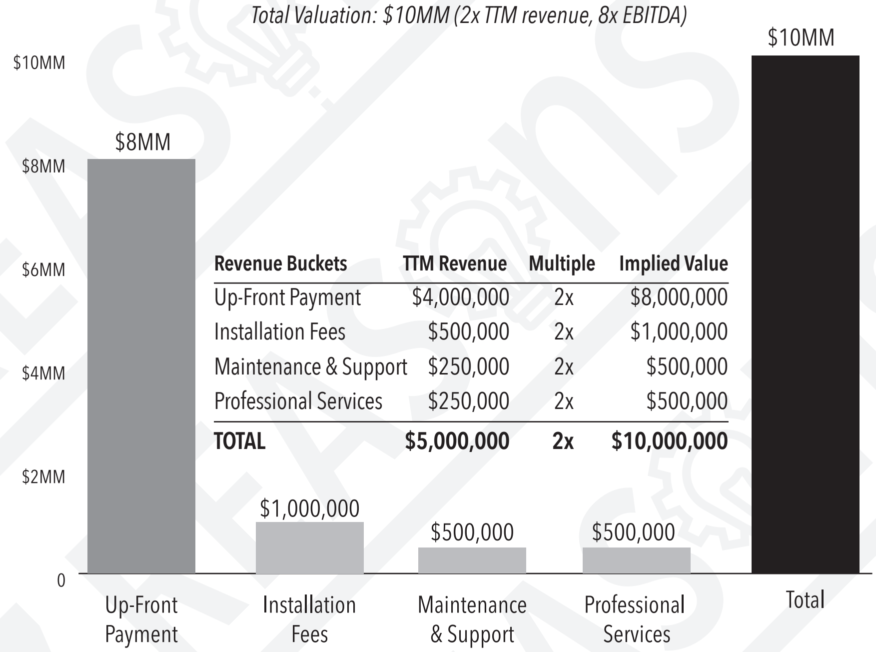
REASON 1

Your Company Lacks Recurring Revenue, So Cash Flow

FIG. 1.1 The Revenue Continuum

FIG. 1.2 Johnny Company

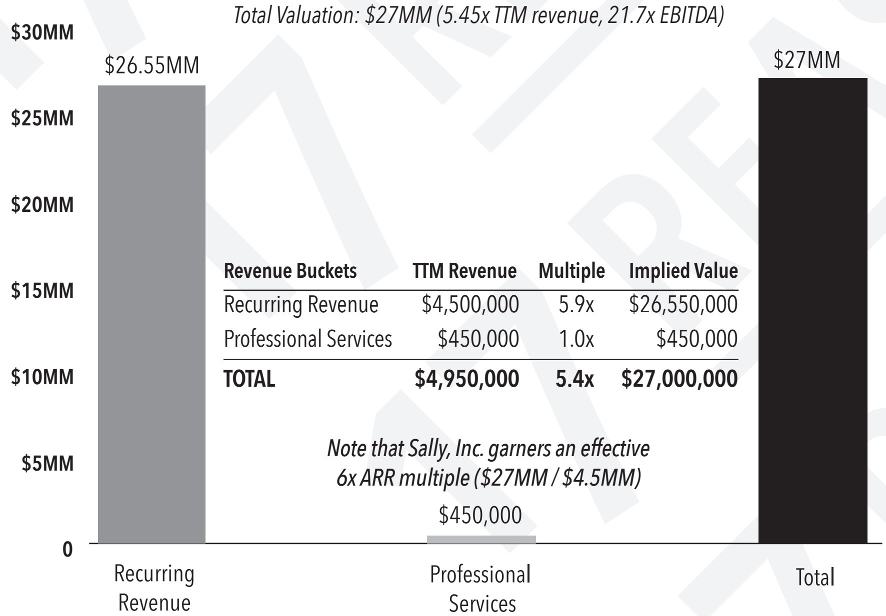
Total Valuation: $10MM (2x TTM revenue, 8x EBITDA)



Revenue Buckets	TTM Revenue	Multiple	Implied Value
Up-Front Payment	$4,000,000	2x	$8,000,000
Installation Fees	$500,000	2x	$1,000,000
Maintenance & Support	$250,000	2x	$500,000
Professional Services	$250,000	2x	$500,000
TOTAL	**$5,000,000**	**2x**	**$10,000,000**

FIG. 1.3 Sally, Inc.

Total Valuation: $27MM (5.45x TTM revenue, 21.7x EBITDA)



Revenue Buckets	TTM Revenue	Multiple	Implied Value
Recurring Revenue	$4,500,000	5.9x	$26,550,000
Professional Services	$450,000	1.0x	$450,000
TOTAL	**$4,950,000**	**5.4x**	**$27,000,000**

Note that Sally, Inc. garners an effective 6x ARR multiple ($27MM / $4.5MM)

REASON 2

Your Company Lacks A Healthy Growth Rate And Sufficient Scale.

FIG. 2.1 GF Data

Total Enterprise Value (TEV)/EBITDA*

**Earnings Before Interest, Taxes, Depreciation and Amortization*

TEV	2003-14	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	5.5	5.9	5.8	6.3	5.9	6.2	5.7	1,308
25-50	6.2	6.6	6.4	6.6	6.9	6.9	6.3	983
50-100	6.7	7.8	7.2	8.2	8.9	7.5	7.2	676
100-250	7.3	9.0	8.9	9.1	8.8	9.6	8.1	343
Total	6.1	6.7	6.7	7.3	7.2	7.2	6.4	
N =	2,111	245	237	255	265	197		3,310

Please note that N for 2003 - 2014 incorporates 12 years of activity.

FIG. 2.2 Types Of Buyers

	FINANCIAL	STRATEGIC	HYBRID
Types of Buyers	Private equity groups, venture capitalists, family offices, growth equity funds, search funds, buyout funds	Operating companies: public and private	PEG-backed platform companies engaged in a growth-by-acquisition strategy
Operating Criteria and Rules	• Target must meet minimum check size/value threshold. • Fund size may limit the number of companies PEG can manage, i.e., a few larger companies rather than several small ones. • Set holding period.	• Acquisition must integrate successfully and be highly accretive. • Target acquisition must move the needle.	• Must see synergies and ease of integration of cultures, technology, customers, etc. • Target acquisition must significantly accelerate growth of the platform.
Use of Debt in Making Purchase	Typically use debt to the extent feasible.	Most use balance sheet resources and stock.	Typically use debt to the extent feasible.
This buyer uses growth rate to:	• Achieve a 3x cash-on-cash return target more quickly. • Support the detailed financial models it builds to calculate likely return over a 3- to 5-year time horizon. • Decrease the time it takes to hit their ROI target, and drive multiple at exit.	• Calculate post-acquisition return. • Assess the quality of a company's market position, product suite and lifetime value. • Increase its earnings per share.	Expand platform's size or accelerate growth rate (exponentially, if possible) for the next buyer.
Size matters to this buyer because it:	Meets its minimum check size.	• Moves the price of public company stock. • Makes the deal worth all the work and resources it takes to close.	Moves the needle by making a measurable impact on buyer's size and growth metrics.
This buyer estimates ROI by:	Using a financial model.	• How accretive the acquisition is to the value of its stock, or • How well the target facilitates expansion (or speed of expansion) into new markets or product areas, or • Whether the target eliminates competition and/or addresses a weakness.	How well the acquisition will help the buyer accelerate the next exit and drive exit multiples.

FIG. 2.3 Message From Meredith Smith

From: Meredith Smith
Sent: Thursday, March 19th, 2020 11:26 AM
To: Zane Tarence
Subject: JMW Associates Outreach
Attachments: JMW Associates_Overview.pdf

Zane,

The team at JMW Associates continues to actively hunt for an exceptional business to acquire. I wanted to reach out and highlight our initial criteria and attributes as a buyer. Our strike zone includes businesses between $5 million to $50 million in revenue with EBITDA margins greater than 10 percent. We are looking for services businesses focused in B2B, health care, energy and tech-enabled services.

As past operators with significant capital, we are looking for one business to actively operate post-acquisition. We offer a flexible and very compelling solution for business owners seeking liquidity, succession, growth and legacy preservation. Our investor roster is composed of accomplished entrepreneurs, executives and family offices / institutional investors.

I have attached an overview of JMW Associates. Please let us know if you have any opportunities that may fit our investment criteria.

Thanks

FIG. 2.4 Alma Matters Growth Strategy

The ideal buyer will have the ability to accelerate Alma Matters' product road map and market penetration.

Launch and Monetize Alma Matters' Analytics Platform	• Capitalize on momentum for "Big Data" solutions to address alumni network tracking and leverage seven-plus years of transactional data housed in Alma Matters' systems. • Provide industry's first quantitative assessment of donor outreach and historical giving. • Expect 25% to 40% upcharge over base annual subscription fee with projected uptake of 40% to 70% over life of contracts and estimated annual revenue potential >$1 million.
Develop Predictive Analytics for Donor Management and Alumni Support	• To compete with larger vendors for higher-dollar RFPs, Alma Matters must deploy analytics to identify potential alumni donors. • Management believes that there is significant pickup and market interest in an offering that provides alerts to college development professionals related to alumni activity.
Expand via Professional Sales Team, Broader Distribution and Acquisitions	• The Alma Matters solution deserves a professional sales team and expanded utilization of marketing automation tools. • To extend Alma Matters' market reach, it can pursue partnerships with software firms and higher education vendors through mutual referral, reseller and license agreements. • Management has identified potential acquisition candidates and communicated directly with one that uses an outdated technology to serve a complementary customer base.

FIG. 2.5 DCF Furnishings Growth Strategy

Three-Prong Expansion Strategy

The Company has formulated three strategic initiatives to guide its growth strategy:

1. DCF Furnishings will expand into additional segments focusing on non-seasonal products to smooth out its revenue stream.
2. DCF will investigate other home furnishing segments to seek opportunistic acquisitions that are accretive to earnings within two years and whose product categories can leverage the company's platform and core capabilities.
3. DCF will seek to establish strategic alliances serving as the conduit linking manufacturers needing online distribution with service providers wired into online communities forming large consumer bases.

Segment Expansion	• Expand the product line in furnishings into untapped niches using DCF's systematic and repeatable processes. • Offer private-label substitute for products that require research, have limited seasonality and a ticket price above $500.
Targeted Acquisitions	• Pursue the following acquisition categories: 1. Vertical product sites that have not reached scale 2. Well trafficked / hype blogs
E-Commerce Platform Outsourcing	• Create strategic alliance program to partner with manufacturers needing online distribution and with service providers that have large captive audiences and "kittable" products. • Develop technical infrastructure and standardized processes to quickly add new alliance partners leveraging DCF's ERP software capabilities.

$50 Million Revenue Company

REASON 4

Your Company Does Not Have Dominant Market Share.

FIG. 4.1 Niche Focus: BLT

Vertical Market Focus

Charter schools are generally well-funded and rely on technology and communication systems.

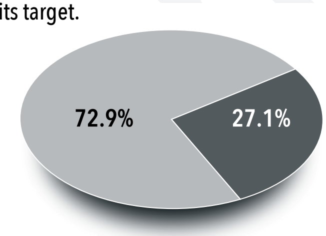
Recent surveys indicate that "vertical-market MSPs* seem to be the most profitable, most highly-valued MSPs."

BLT's focus on an underserved vertical gives it targeted segment expertise and an advantage in a competitive bidding process. BLT further leverages its resources by contacting respected consulting centers of influence within the education community.

**A Managed Service Provider (MSP) manages (remotely) its customers' infrastructures or the software that its customers provide to their users.*

Niche Vertical Focus: Building Franchise Value

BLT has captured 57 of the 211 charter schools in its target.



Regional Market Segments

Vertical Market	Estimated Quantity	Detailed Breakdown
Charter Schools	**211**	**· NYC: 211**
Private Schools	**603**	**· NYC: 165 · LI: 200 Religious: 238**
Public Schools	**2,200**	**· NYC: 1,700 · LI: 500**

FIG. 4.2 Bones Billing Company

Step 1	**Define Your Total and Serviceable Addressable Markets.**	Quantify the U.S. market opportunity for physician practice billing services.
Step 2	**Tier The Market.**	Determine which practice specialties are the “best market.” Use trade association data to categorize practices into small, medium and large.
Step 3	**Choose Your Niche.**	Decide which type of physician practice (e.g., pediatric, family, orthopedic) to target. Choose initial geographic focus. For example, within a100-mile radius of capital city, one major U.S. designated market area (DMA), etc. Don’t allow customer demand to make the decision for you.
Step 4	**Maintain Constant Communication With Your Niche Market.**	Have ongoing conversations with orthopedic practice managers and doctors. Ask what they most value in doing business with you, and act on what you learn. Ask customers how your company compares to your competitors.
Step 5	**Invest In Your Market Segment.**	Become a hungry student of your market segment. Hire subject matter experts (e.g., former practice managers for large orthopedic practices) who have worked in this space their entire careers. Interview orthopedic surgeons/practice owners. Go to trade shows and ask questions.
Step 6	**Make Market Share Your North Star.**	Document the market share you own, the one you want and your plan to grow your share.
Step 7	**Perform Iterative Competitive Analysis.**	Continually study the best teachers–your best competitors. Study adjacent market competitors, and adopt best practices that could fit your niche.
Step 8	**Thoughtfully Expand Your Market Focus To The Next Adjacent Tier And Return To Step 1.**	Once you control 10% to 15% of your chosen market, consider whether to open in a new market in a nearby city or DMA to maintain your orthopedic practice focus or add a new medical specialty in your geography.

FIG. 4.3 Niche Focus: BankRite

Sizable Presence in Community Bank Market

Primary Target: community banks under $8B in assets

U.S. TAM: 5,200 institutions – Average asset size: $200MM

Customer Base: 550+ (≈11% of market share) Average asset size: $45MM

Total Customer Assets: $220B (more than 15% of the $1.2T in total market assets)

BankRite serves banks in all segments, but has strong presence in the large bank segment:
- 320 members
- ≈20% share of the market segment
- ≈60% of BankRite's customer base

The community bank market offers ample growth, and BankRite is well-positioned and on the right growth trajectory to further expand its footprint.

Estimated Market Size

U.S. Community Bank Market Breakdown	Prospect Universe	Market Share by Segment	Total Asset Size by Segment	BankRite Customers by Segment	BankRite Market Share by Segment	BankRite Total Asset Size by Segment
Small Community Banks <$100MM in assets	1,500	28.9%	$65B	70	4.7%	$3B
Medium Community Banks $100MM-$200MM in assets	2,100	40.4%	$285B	190	9.1%	$17B
Large Community Banks >$200MM in assets	1,600	30.7%	$850B	320	20.0%	$200B
TOTAL	**5,200**	**100.0%**	**$1.2T**	**580**	**33.8%**	**$220B**

REASON 5

Your Company Does Not
Have What It Takes To Scale.

FIG. 5.1 Process Documentation

Our Implementation Process consists of: Discovery, Data Integration, Training & Launch, and the Client Success Program. The typical implementation will take 6-12 weeks and will vary based on client preparedness and project scope. A Client Success Manager (CSM) is assigned and will guide customers through implementation and beyond.

DISCOVERY	DATA INTEGRATION	TRAINING & LAUNCH	CLIENT SUCCESS PROGRAM
· Assemble implementation team · Overviews of product · Needs Assessment · Data integration planning · Plan implementation time line · Set goals	· Build Data import file · Automated import setup · Single-Sign-On setup · Data integrity tests · Configure settings, permissions and user roles	· Train key staff members · Train other users for specific interfaces and common-use cases · Configure settings and data in production site · Go Live	· Transition to Client Success Program · Post-launch review · Resolve any current issues · Review goals and product expectations with client and key users
1-2 weeks →	*2-4 weeks* →	*3-6 weeks* →	*Ongoing*

DISCOVERY

- Fill out and return Client Needs Assessments
- Review project expectations, implementation process and team roles
- Establish a project plan, roles and responsibilities
- Initial call with Implementation IT and Project Manager to discuss scope
- Define Implementation team on site and begin to set timeline and expectations of Go Live and training dates
- Provide overview of all company associates to be involved with the client

CLIENT RESOURCES

- Project Manager
- IT Project Manager
- Executive Sponsor

DATA INTEGRATION

- With Implementation Team decide what data to include based on anticipated use case(s)
- Set up training environment and begin importing data
- Set up automated uploads in training site and begin to test
- Set up logins and begin to test in training environment
- Set up Roles, Permissions, Locations, Services and Reasons in application for various user groups

CLIENT RESOURCES

- Project Manager
- IT Project Manager
- Implementation Team

TRAINING & LAUNCH

- Revisit needs assessment to build users' training platform
- Set up training dates and times for on-site visit (if applicable) and webinar training
- During the tail end of training, begin to work with the IT Project Manager to import data to the production environment
- Set up all predetermined Roles, Permissions, Locations, Services and Reasons in production environment
- Configure card swipe for kiosk functionality
- Resolve outstanding issues and Go Live

CLIENT RESOURCES

- Project Manager
- IT Project Manager
- Implementation Team

CLIENT SUCCESS PROGRAM

- Plan follow-up discussion for two months after Go Live date
- Record and review any issues found since Go Live date
- Review goals and expectations to ensure all were met
- Transition to Client Success Program
- Set up regular meetings with CSM to discuss usage patterns and review any issues

CLIENT RESOURCES

- Project Manager
- Executive Sponsor

Throughout the implementation process and beyond, there will be ongoing Project Management meetings. During these meetings, internal personnel will meet with their CSM to discuss challenges, goals, issues, data needs, and any questions and concerns.

FIG. 5.2 Income Statement

Revenue	**$10,000,000**
Cost of Goods Sold	< $5,000,000>
Gross Profit	**$5,000,000**
Operating Expenses	< $2,500,000>
Operating Profit	**$2,500,000**
Interest	< $500,000>
Taxes	< $500,000>
Net Income	**$1,500,000**

FIG. 5.3 RapidScale Pro Forma

	Year 1A	Year 2P	Year 3P	Year 4P	Year 5P
Revenue	**$4,250,000**	**$5,525,000**	**$7,182,500**	**$9,337,250**	**$12,138,425**
Growth	N/A	30%	30%	30%	30%
Less: Cost of Goods Sold	$850,000	$1,105,000	$1,436,500	$1,867,450	$2,427,685
Gross Profit	**$3,400,000**	**$4,420,000**	**$5,476,000**	**$7,469,800**	**$9,710,740**
Gross Margin	80%	80%	80%	80%	80%
Less: Operating Expenses	$4,300,000	$4,600,000	$4,800,000	$4,950,000	$5,050,000
OpEx as a % of Revenue	*101%*	*83%*	*67%*	*53%*	*42%*
Net Income	**($900,000)**	**($180,000)**	**$946,000**	**$2,519,800**	**$4,660,740**
Net Margin	*(21%)*	*(3%)*	*13%*	*27%*	*38%*

REASON 6

Your Culture Does Not Attract Or Keep The Best People.

FIG. 6.1 A-Players & Mis-Hires

	A PLAYERS	MIS-HIRES
Productivity	**3x to 5x more than mis-hires**	Negatively affect productivity and morale
Effect on Top and Bottom Lines	**Increase both**	Decrease bottom line by: • 14x salary for those making <$100k • 28x salary for those making between $100k and $250k • 27x base compensation for an executive • 15x base compensation for a manager • U.S. Dept. of Labor estimates that the average cost of bad hiring decisions is 30% of earnings.
Team Engagement	**High**	Low
Relationships with Customers	**Deep**	Shallow, if any
Management Level	**Minimal need for supervision allows owners to spend less time at work.**	Need supervision

FIG. 6.2 Workplace Features & Strategies

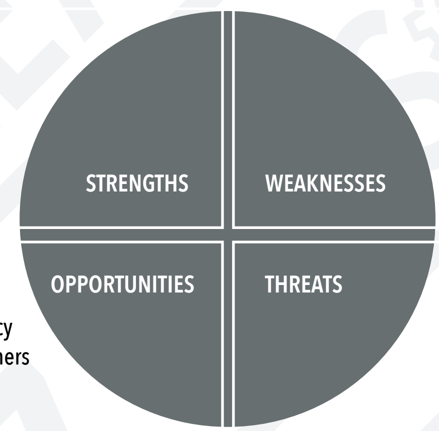
WORKPLACE FEATURES	STRATEGY
Learning & Development	Provide opportunities to expand beyond basic competencies and job description.
Workplace Flexibility	Develop policies that address when, where and how a person participates in an organization.
Employment Stability	Create secure environment that fosters engagement.
Benefits & Compensation	Update constantly to adapt to marketplace.
Corporate Mission	Create and adhere to a strong mission as a foundation for a meaningful work environment.
Career Enhancement	Commit to upward mobility of employees.
Workplace Wellness	Implement organizational policies that support healthy behavior.
Respect & Involvement	Flatten the top-down, hierarchical models.

REASON 7

Your Company's Competitive Advantages Do Not Protect And Grow Its Market Share.

FIG. 7.1 SWOT Analysis

Logistics Company



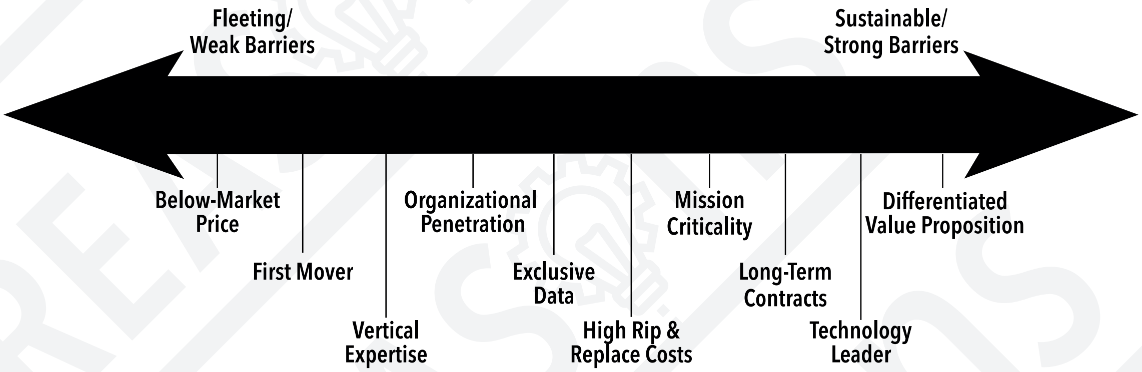
- Seasoned senior leadership
- Versatile solutions
- Responsive to customer needs
- Deep knowledge of customers
- Loyal customers
- Servant-minded culture

- Previous lack of formal training process for drivers
- Intradepartmental communication
- Lack of working capital
- Managing growth

- Grow via ecommerce
- Partnerships with carriers
- Improve route and backhaul efficiency
- Expand business with current customers
- Upscale with new customers
- Expand into health care logistics
- Grow service line and footprint via acquisitions

- Independent contractor legislation and other regulations
- Competing carriers
- Fuel prices
- Insurance rate increases
- Economic downturn

FIG. 7.2 Common Barriers In Software Companies



Thanks to Jeff Totten, CEO of Evergreen Services Group, for permission to summarize his continuum of barriers to entry in software companies.

REASON 9

Your Company Relies On Too Few Customers.

FIG. 9.1 Acme's Customer Concentration

	YEAR 1		YEAR 2		YEAR 3	
Customer 1	$10,066,118	48%	$12,246,338	44%	$14,979,754	41%
Customer 2	$4,725,406	23%	$5,973,993	21%	$5,743,685	16%
Customer 3	$0	0%	$406,085	1%	$4,099,399	11%
Customer 4	$1,535,334	7%	$3,448,540	12%	$3,991,237	11%
Customer 5	$1,917,617	9%	$2,412,231	9%	$2,502,263	7%
Customer 6	$485,510	2%	$705,043	3%	$934,408	3%
Customer 7	$447,489	2%	$766,654	3%	$850,051	2%
Customer 8	$20,374	0%	$160,768	1%	$560,607	2%
Customer 9	$0	0%	$59,885	0%	$471,330	1%
Customer 10	$296,812	1%	$336,168	1%	$405,212	1%
All Others	$1,507,001	7%	$1,370,672	5%	$2,376,949	6%
Total	**$21,001,661**	**100%**	**$27,886,377**	**100%**	**$36,914,895**	**100%**

FIG. 9.2 MI's Annual Return With Really Big, Inc. As A Customer

	AT PURCHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue	$10,000,000	$12,000,000	$14,400,000	$17,280,000	$20,736,000	$24,883,200
EBITDA	$1,000,000	$1,200,000	$1,440,000	$1,728,000	$2,073,600	$2,488,320

EXIT VALUATION	ROI	ANNUAL RETURN
$12,441,600	**149%**	**30%**

FIG. 9.3 MI's Annual Return Without Really Big, Inc. As A Customer

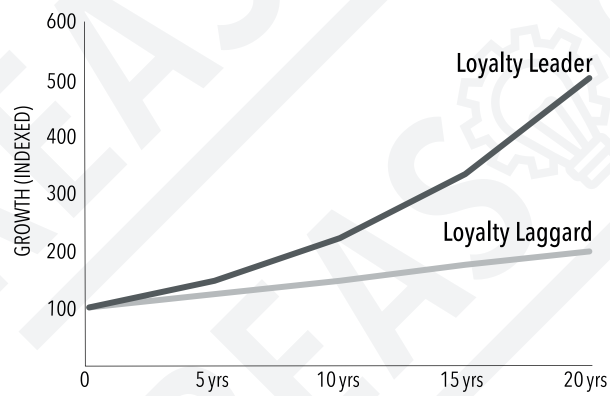
	AT PURCHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue	$10,000,000	$8,400,000	$10,080,000	$12,096,000	$14,515,200	$17,418,240
EBITDA	$1,000,000	$840,000	$1,008,000	$1,209,600	$1,451,520	$1,741,824

EXIT VALUATION	ROI	ANNUAL RETURN
$8,709,120	**74%**	**15%**

REASON 12

Your Company's Customers Are Indifferent To Your Value Proposition.

FIG. 12.1 Growth Rates Of Loyalty Leaders & Loyalty Laggards



REAS13N

Your Company's Financials Are Not Buttoned-Up And/Or You Cannot Relate Them To Your Business Model.

FIG. 13.1 Lifestyle Businesses vs. Growth Equity Companies

Lifestyle Businesses		Growth Equity Companies
Distribute all income.	⟷	Maximize reinvestment for equity appreciation.
Employ family members. (Nepotism)	⟷	Employ professional managers. (Meritocracy)
Treat personal perks as business expenses.	⟷	Limit perks.
Personalize policies and procedures.	⟷	Base policies and procedures on "best practices."

REASON 15

You Cannot Explain Why Your Company Exists And/Or Cannot Tell Its Story.

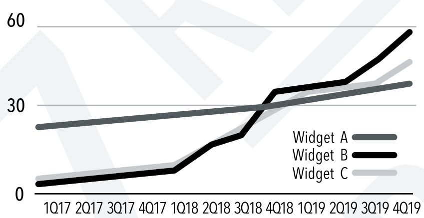
FIG. 15.1 Investment Summary

Market Leader in Widget Implementation

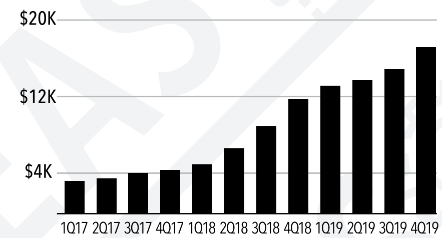
Overview: The company dominates the micro-widget market.

- It specializes in three major widget types that serve health care, insurance and finance customers.
- Its industry-leading products are differentiated by higher quality and longer usable life.
- The increase in same-customer sales year after year demonstrates strong customer appreciation for superior technology and customer service.
- Due to increased widget production capacity, the company is quickly moving into the automobile market.

WIDGET SALES BY QUARTER



REVENUE BY QUARTER



INVESTMENT HIGHLIGHTS

Rapid Revenue Growth

- By rapidly increasing sales of Widget C, the company has achieved near 100% revenue CAGR over the past two years, as shown above.
- The company's flagship product (Widget A) provides a stable base for continued growth.

Large Addressable Market

- The company can further penetrate the three very large market segments it currently serves.
- The company is expanding its product line.
- The company has scaled its number of employees and its sales staff to maintain its growth trajectory in current and new markets.

Robust Technological Process and Product

- The company exhibits strong pricing power as the industry's quality leader and is able to effectively generate cash by operating at a higher margin than industry peers.
- The company's seamless widget development allows for quicker market entrance with new widget products.

FIG. 15.2 Strategic Plan Summary

CORE VALUES
Treat customers with respect, fairness and honesty.

Provide the leading widgets in current markets and expand into promising adjacent markets.

Continually improve our people and processes.

BRAND PROMISE
Drive change one widget at a time.

STRATEGY STATEMENT
Drive innovation and change through our markets and create additional efficiencies through the implementation of our widgets.

CRITICAL NUMBERS

LTM Revenue:	$60MM
LTM Units:	456
LTM EBITDA:	$11.6MM

DUPONT ANALYSIS

LTM Net Income:	$10MM
Avg. Total Assets:	$18MM
Total Equity:	$32MM
Return on Equity:	31.2%

5-Year Vision

FINANCIAL TARGET

Widgets Sold:	1,500
Sales:	$150MM
Widget Products:	6
Markets Served:	5
Net Income:	22%
Total Assets:	$35MM
Total Equity:	$70MM
Return on Equity:	47.1%

WHAT IT LOOKS LIKE

We Lead the Industry in Quality:
- Proprietary Technology
- Continued Innovation
- Robust Processes
- Friendly Sales & Customer Service Staff

New Customers
- Leverage past relationships and experience to win new customers.
- Increase market share.
- Win business in new markets.
- Attend and sponsor industry conferences.

New Facilities
- Continued growth forces multiple locations.
- Potential international sales presence
- Select new cities for regional presence in North America.
- More efficient production

Current YE Goals

FINANCIAL TARGET

Widgets Sold:	600
Sales:	$72MM
Widget Products:	4
Markets Served:	3
Net Income:	18%
Total Assets:	$15MM
Total Equity:	$35MM

WHAT IT LOOKS LIKE

Development Leads the Way
- Widget D in production
- New price points to gain market share
- Widgets C & A profitability drives increase in net income.
- Purchase and finance assets for Widget D development.

New Employees
- Promote Eric to manager.
- Hire three new sales reps.
- Hire five developers for Widget D.
- Start quarterly employee events for morale.

Balance Sheet Initiatives
- Increase cash position and leverage short–term investments to increase return.
- Build buffer to invest in developing our fourth served market next year.
- Decrease payables to promote stronger working capital position.

Quarterly Plan

KEY METRICS & INITIATIVES

Increase QoQ Widget Sales:	20%
Total Widget D Investment:	$4MM
Employee Count:	50
Additional Plant Capacity:	100 Units
Six Sigma Implementation:	40%
Widget B Gross Margin:	30%
Customer Count:	33

Q1/Q2 INITIATIVES

Drive Current Product Sales
- Reduce Inventory of Widgets A – C.
- Increase rack storage for Widget D.
- Increase sales rewards for Widget D pre-order and pipeline leads.

Employee Culture
- Company picnic in Q2
- Increase warehouse bonus.
- Treat sales team to dinner.
- New break room and employee amenities

Q3/Q4 INITIATIVES

Increase Industry Awareness
- Attend three trade shows for each key industry segment.
- Marketing campaigns for key industries
- Customer appreciation gifts and holiday cards
- Note key product changes and development process for refining/trimming in Year 2.

Banking & Finance Relationship
- Finalize previous year audit.
- Renegotiate current debt.
- Implement $3MM line of credit through current facility.

REASON 16

You Are Unprepared To Reap A Return On Your Investment.

FIG. 16.1 Third-Party Transaction Scenarios

SCENARIO	DESCRIPTION	ADVANTAGES	KEY CONSIDERATIONS
Sale of Company/ Corporate Merger	➤ Sale to or combination with a strategic operating company	➤ Shareholders realize full liquidity ➤ Minimizes shareholders' future liabilities	➤ Loss of post-sale upside ➤ Value is maximized through the sale of entire equity interest ➤ Typically two- to five-year noncompete agreement
Leveraged Buyout/ Recapitalization	➤ Acquisition by a financial sponsor	➤ Greatest potential for optimal valuation ➤ Provides a "second bite of the apple"	➤ Liquidity and pro forma ownership depends on deal structure ➤ PEGs typically retain management
Management Buyout	➤ Management team (with a financial sponsor) purchases company from current ownership	➤ Provides full liquidity to owner and transfers ownership to key management/employees	➤ May not generate the highest possible valuation due to absence of competitive process

REASON 17

The Market Process Is Not In Your Plan.

FIG. 17.1 Transaction Timing

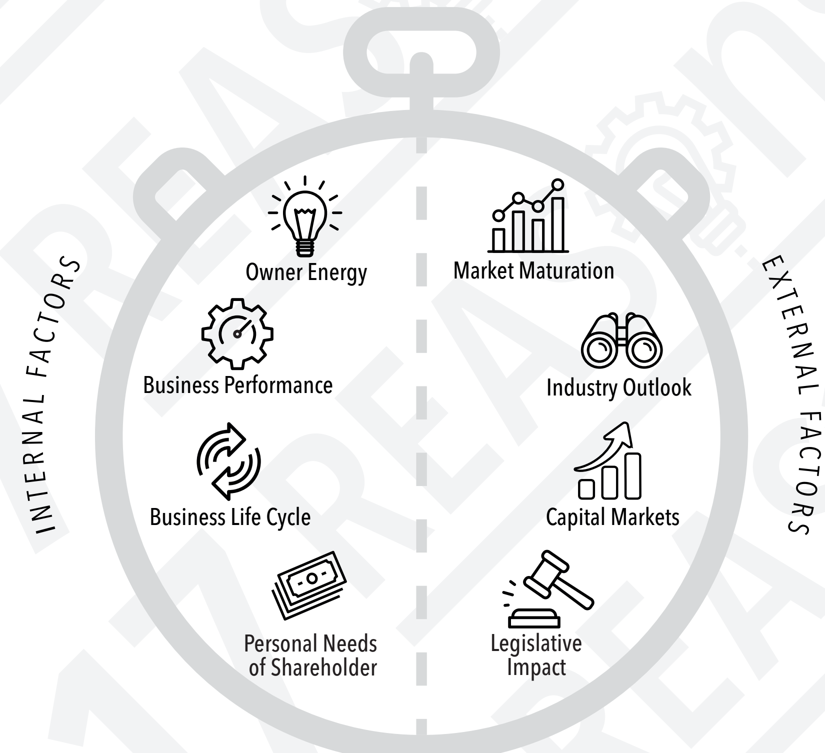


FIG. 17.2 Owner Mindset

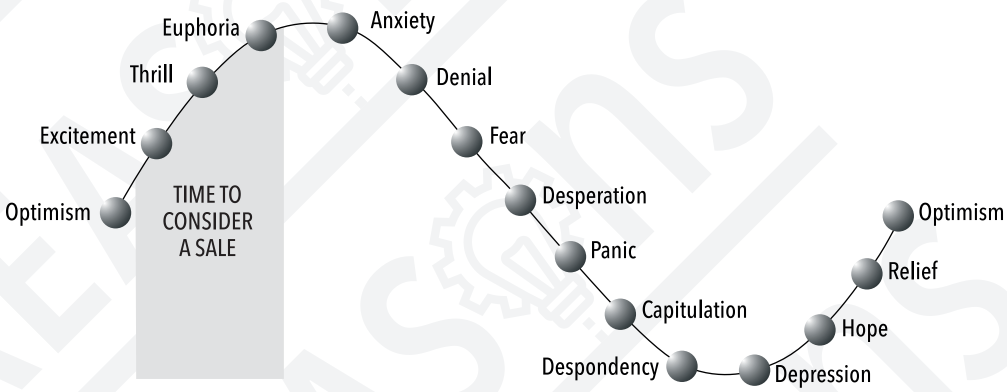


FIG. 17.3 Valuation Ranges For Company X

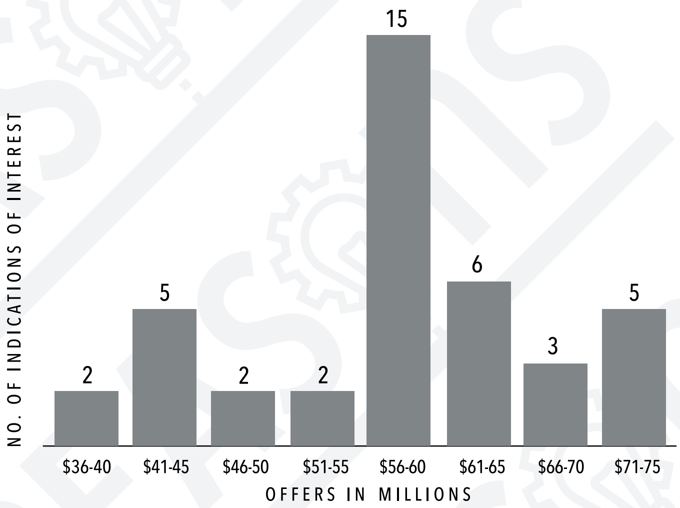


FIG. 17.4 Ranges Of Options: Liquidity vs. Control

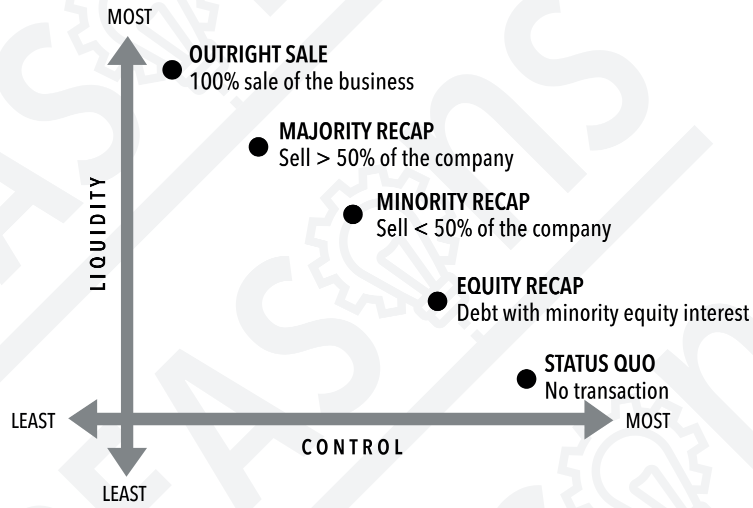


FIG. 17.5 Indications Of Interest

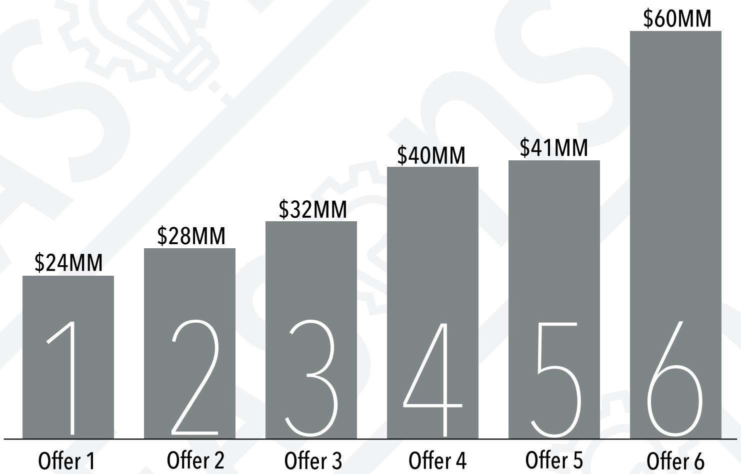


FIG. 17.6 Founders Advisors' Market Process

Our Market Process has created valuation outcomes that far outpace client expectations and accomplish objectives such as minimal disturbance to ongoing business operations.

PHASE	Preparation	Marketing	Preliminary Due Diligence	Final Due Diligence & Closing
APPROACH	· Industry knowledge and connections lead to on-message, high-quality marketing materials. · Compelling materials describe a company today and its potential growth for the next three to five years. · Substantial buyer research identifies the optimum buyer/partner.	· An extensive first round of marketing and calls generates interest and prequalifies buyers before management meetings. · We work with a company's management team to prepare the VDR and management presentation for diligence. · Clients receive thorough weekly marketing updates.	· Preparation of VDR for buyer access reduces time to close. · Conduct management meetings · To facilitate confident LOI submission, VDR access is typically granted after management meeting and in advance of the LOI deadline. · Efforts continue to increase bids from IOI to LOI. · Analysis of all options before seller selects buyer/partner	· Negotiation of terms · Once seller selects a buyer from the final bidders, we coordinate with seller, buyer and all third parties (e.g., tax, legal, financial, technology, environmental) to complete due diligence.

FIG. 17.7 Finding The Optimal Partner & Unlocking Premium Market Valuation

BUYER CLASSIFICATIONS

FINANCIAL	STRATEGIC	HYBRID
Private Equity Groups	Operating Companies	PE-Backed Strategic Buyers

Leverage Market Conversations & Knowledge

- Our team maintains relationships and open lines of communication with the most acquisitive strategic and financial groups in various segments regarding the targets that interest them.
- We leverage our internal CRM to track and analyze these buyer conversations in order to quickly derive which groups could be a fit for specific investment opportunities.

Perform In-Depth Buyer Research

- Because new buyers are constantly entering the marketplace, we supplement our market knowledge with thorough buyer research, utilizing several tools and proprietary data sets.
- To identify viable buyers, we analyze recent and historical M&A activity, explore industry conference attendees, screen PE portfolio companies, and digest reports from public companies.

Evaluate Fit and Synergy Potential to Produce Tiered List of Buyers

TIER A BUYERS | **TIER B BUYERS**

FIG. 17.8 Common Mistakes In The Market Process

MISTAKE	RESULTS
Failure to Be Process Driven	• Allows buyers to control the sales process • Slows momentum • Sellers lose negotiating leverage. • Erodes value
Failure to Appropriately Position a Company	• Leads to poor preparation and unproductive discussions with potential buyers • Spoils credibility with buyers and other market players • Limits potential deal leverage
Limiting and/or Taking for Granted the Potential Buyer Universe	• Unnecessarily and inappropriately limits the number of prospective buyers • Creates a stale investment thesis built on broad-based assumptions that reduces the likelihood of a premium value
Mismanaging the Advisor/Seller Relationship	• Failure to appreciate all of a seller's emotions and goals produces an outcome that does not accomplish all of the seller's objectives. • Poor communication prevents sellers from making timely and fully educated decisions necessary to ensure a smooth transition.

17 Reasons Assessment™

How does *your* company measure up to investment-grade standards?

Designed For Owners:

· Looking for an objective, market-based valuation
· Considering a market process and interested in understanding how investment professionals will view their companies

Purpose:

· Identify specific areas that warrant attention
· Assign a score to each of the 17 Reasons

Takeaway:

A market valuation report and specific recommendations to increase enterprise value

About The Author

Zane Tarence is an expert in the "business of technology." He is an experienced investment banker, dealmaker and serial technology entrepreneur. He sold his first software company to a publicly traded company in May of 2000 and his second in June of 2007. Ten years later, he sold two additional start-up companies to public companies after acting as the lead investor, hiring CEOs and serving on both boards.

Since 2007 Zane has served as a partner and managing director of the Birmingham-based investment banking firm Founders Advisors, LLC. He holds FINRA Series 24, 63 and 79 licenses. Zane has worked with hundreds of owners to position their growing companies to attract both investors and strategic buyers, and he has orchestrated over 82 transactions, primarily for technology and tech-enabled service businesses.

Zane is a dynamic speaker, dedicated mentor to numerous entrepreneurs and an active investor and board member in lower middle market businesses. He serves on several nonprofit boards, is a husband and is a father to three daughters.

If you have questions about how any of the 17 Reasons affect your company, please contact Founders Advisors at 205.949.2043 or *https://foundersib.com/contact-us/*

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