LANDING THE PLANE

Steps to Drive Your
Business Exit Strategy

---

with Patrick Morin

Transact Capital Partners

AMC Institute Annual Meeting
Ft. Lauderdale, FL
February 10, 2017

VA COUNCIL OF CEOS

Patrick —

You are the most DISRUPTIVE person I have ever met.

Thank you,

Scot

10-27-10

follow the leaders

"I'm hurt! I'm hurt! Dad! We gotta get a better plan!"

AN AMC QUICK POLL

When do you anticipate selling your management company?

A. I shoulda sold it yesterday!

B. 1 - 3 Years

C. 3 + Years

D. It's mine. My own. My precious…

TRANSACT CAPITAL

FAIR MARKET VALUE IS NOT…

- The amount you need to retire.
- The amount you put into the business
- The amount you need to pay your debts
- Determined by the years you put in
- The amount your BFF says you “deserve”
- The amount you overheard someone else got for there’s at a cocktail party.

FAIR MARKET VALUE IS

" …the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts."

IRS Pub. 561

The Confidence Continuum

"To have unshakable confidence when selling a company (or anything else for that matter), one has to have either a solid plan, or have the experience of having sold other companies. If you lack one, get the other. If you have neither, every part of the process will, rightly, rattle you."

PBM

Return
Risk

Questions All Buyers Ask

Will the company do what you say it will do?

Am I justified in paying the price you're asking me to pay?

Am I justified in buying right now?

Who says so besides you?

“Your culture *IS* your strategy.”

Bill Taylor, Founder
Fast Company Magazine

A Powerful Team

BUILD THE DEPTH & BREADTH OF MANAGEMENT TEAM

Is the owner the center of the universe? This is VERY risky.

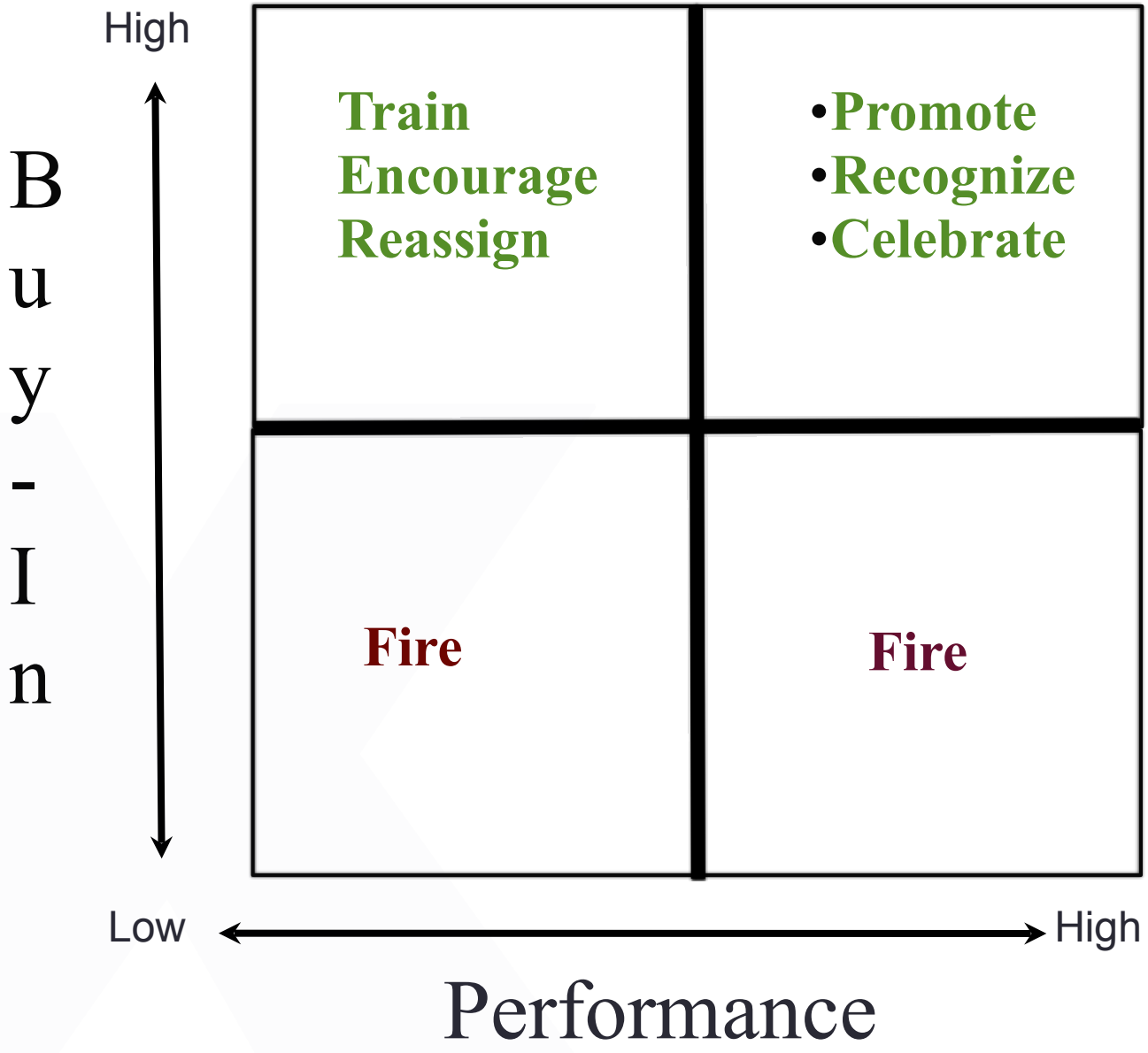
Leadership, skills and knowledge of team below owner is robust. They are well-trained, autonomous, talented, and execute as well as the owner.

Team is solidly in place: consider employment agreements, incentives, non-competes.

"The ability to deal with people is as purchasable a commodity as coffee or sugar. And I will pay more for that ability than any other under the sun."

- John D. Rockefeller

Pick Your Team Carefully


High
Buy-In
Train
Encourage
Reassign
•Promote
•Recognize
•Celebrate
Fire
Fire
Low
High
Performance

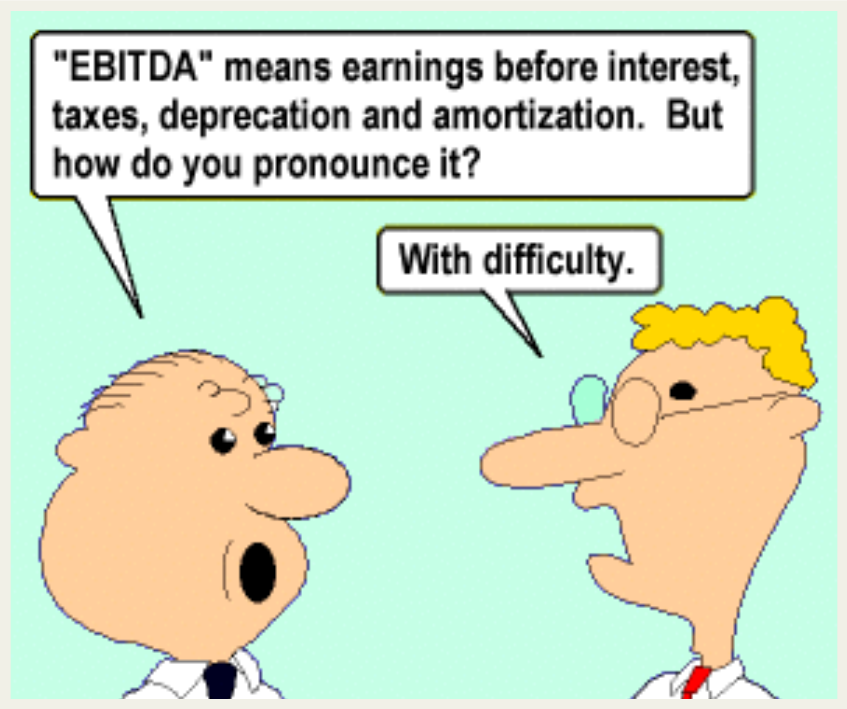
Clean Financials

- Compiled
- Reviewed
- Audited

WHAT ARE/IS EBITDA?

EBITDA
(ĒBĬT-D-A)

Pretax Operating Earnings
+ Interest Expense
+ Income Taxes
+ Depreciation Expense
+ Amortization
EBITDA



Customer Concentration – Betting it all on Black 17

DIVERSIFIED CUSTOMER BASE DELIVERING RECURRING REVENUES

Customer concentration issues?

Customer retention and why?

Is market large and growing; economic cycles? Marketing plan?

Long term contractual agreements?

Are you a market leader?

Return

Risk

Customer flight, non-loyalty, non-“stickiness”, limitations, & disgruntlement INCREASE risk to the buyer and therefore decrease yield to YOU, the seller in the transaction.

Market growth opportunities and a diverse customer base (as a percentage of revenue) make your AMC more attractive.

Source: Rocket Science News

Business PROCESS Matters

BUSINESS SYSTEMS ARE WELL-DEVELOPED AND DOCUMENTED

Records, documents, files, processes organized

Financials, tax returns, board minutes accurate; filed timely, accessible

IT systems/software can support growth

Customer, supplier, employee agreements documented

Operating systems and procedures sufficient to sustain growth

Defensible Market Position

Wide array of products and services offered?

Unique and not easily replicated; Cutting edge? Leader?

Technological advances on the horizon?

Dependent on one supplier? Sweetheart deals?

Trade secrets? Special Sauce? Intellectual Property?

5
17
36

Creating the easy(ier) to sell unicorn:

1. Strong key management team under owner
2. Increasing sales/earnings
3. High sustainable/predictable cash flow (recurring revenues)
4. Room for the business to grow
5. Anticipated *industry* growth
6. Business niche/competitive advantage
7. Barriers to entry
8. History and reputation
9. Tech-current, well-maintained equipment
10. Clean books and clear processes

Investment Banker | Attorney | Accountant | Money Manager

Five Sins of Selling

- Inflated expectations of the true value of the business
- Rigid adherence to pre-conceived “wants”
- Easing up on business growth once decision to sell is made
- Waiting for all the lights to be green before leaving the house; wanting perfection
- Not heeding advice of the smart people listed in the last slide

"*Top performers, regardless of industry, don't necessarily have better ideas. What they do have is a better system of implementing their ideas. The bottom line is that top performers plan and execute better.*"

Brian Moran, 12-Week Year

Binary code…

…is the most prevalent language on the planet. It runs just about everything. On/off. Yes/no.

Try thinking about your key decisions this way: *"Is what I'm about to do going to increase the value of my company? Will it increase return? Will it decrease risk?*

LANDING THE PLANE

Steps to Drive Your
Business Exit Strategy

Patrick Morin

Transact Capital Partners

Direct: 804.612.7103

Cell: 804.402.2836

patrick@transactcapital.com

AMC INSTITUTE

AMC Institute Annual Meeting
Ft. Lauderdale, FL
February 10, 2017