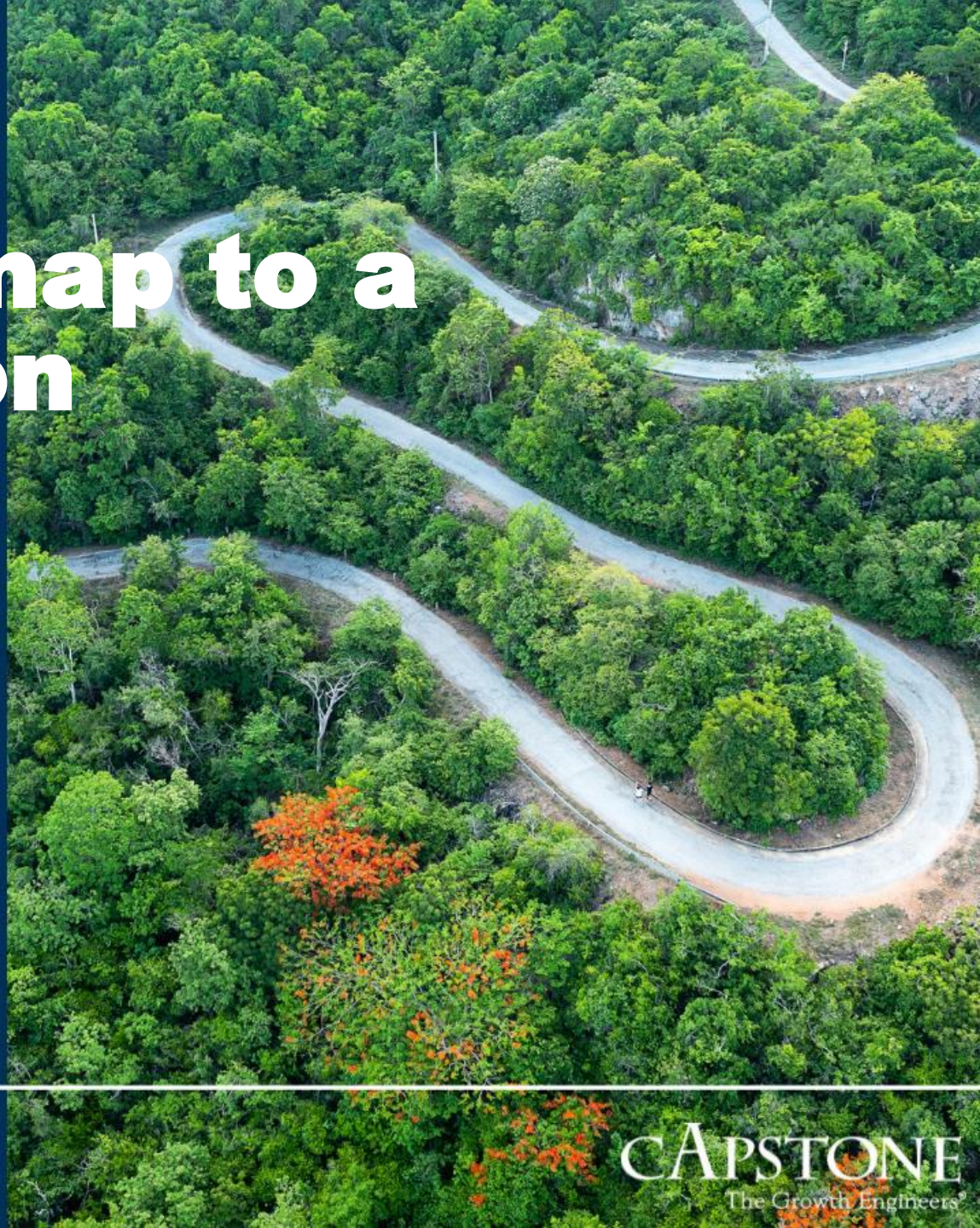


The Roadmap to a Transaction

Presented by:
Brian Goodhart



Capstone Overview

- Founded in 1995 and headquartered outside of Washington DC.
- Creators of the Roadmap to Acquisitions.
- Full Team of M&A Experts, Advisors, Analysts, Researchers and Support Staff.



About Your Presenter



Brian Goodhart serves as Director of Capstone’s M&A Advisory Services. He is experienced in conducting middle-market transactions on both the buy and sell sides. In his role with the Capstone Team, he works side-by-side with clients throughout the deal making process to develop actionable transition strategies that maximize value and create generational wealth.

Brian’s career in finance began in the “.com” era working with several venture-backed firms before spending several years with The Vanguard Group where he led a team of financial analysts managing the budgeting process and conducting financial analysis on a variety of technology initiatives. He then transitioned to working with a small private equity fund where he worked on a variety of projects including technology, real estate, and oil and gas. This work then led him to advising in private company mergers and acquisitions. Prior to joining Capstone, Brian was the Director of Wipfli’s Business Transition Group, where he led a multi-disciplinary team in the firm’s national offering to help private business owners devise and execute an appropriate transition strategy.

Brian has assisted companies in raising private and venture-backed capital. He is the co-developer of system processes which assess, collaborate, and implement a client’s strategic transition objectives. He has worked with clients across a diverse cross-section of industries including agriculture, construction, healthcare, investment banking, manufacturing, wealth management, and technology.

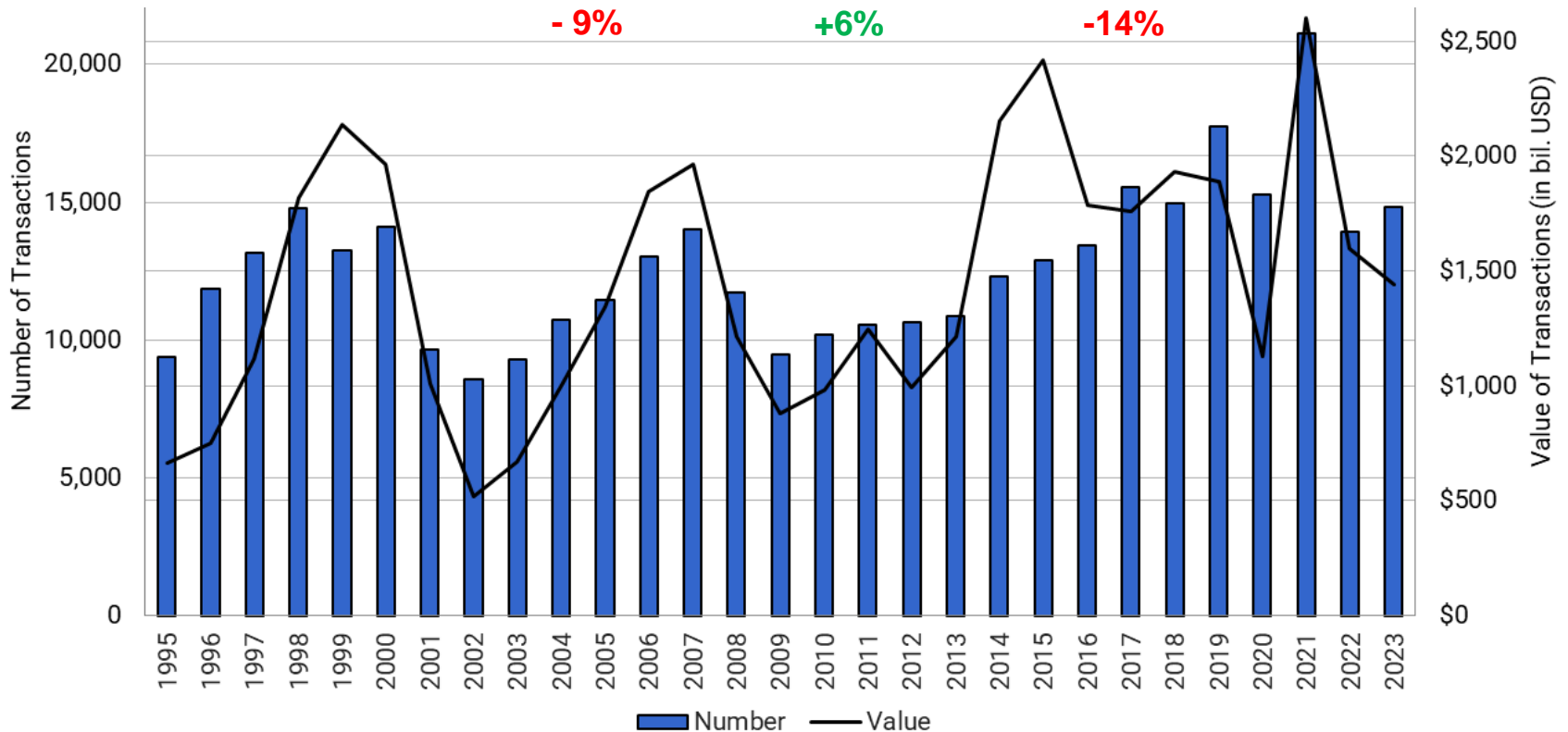
He holds a BS in Finance and an MBA, both from Pennsylvania State University.

M&A

The Market Today

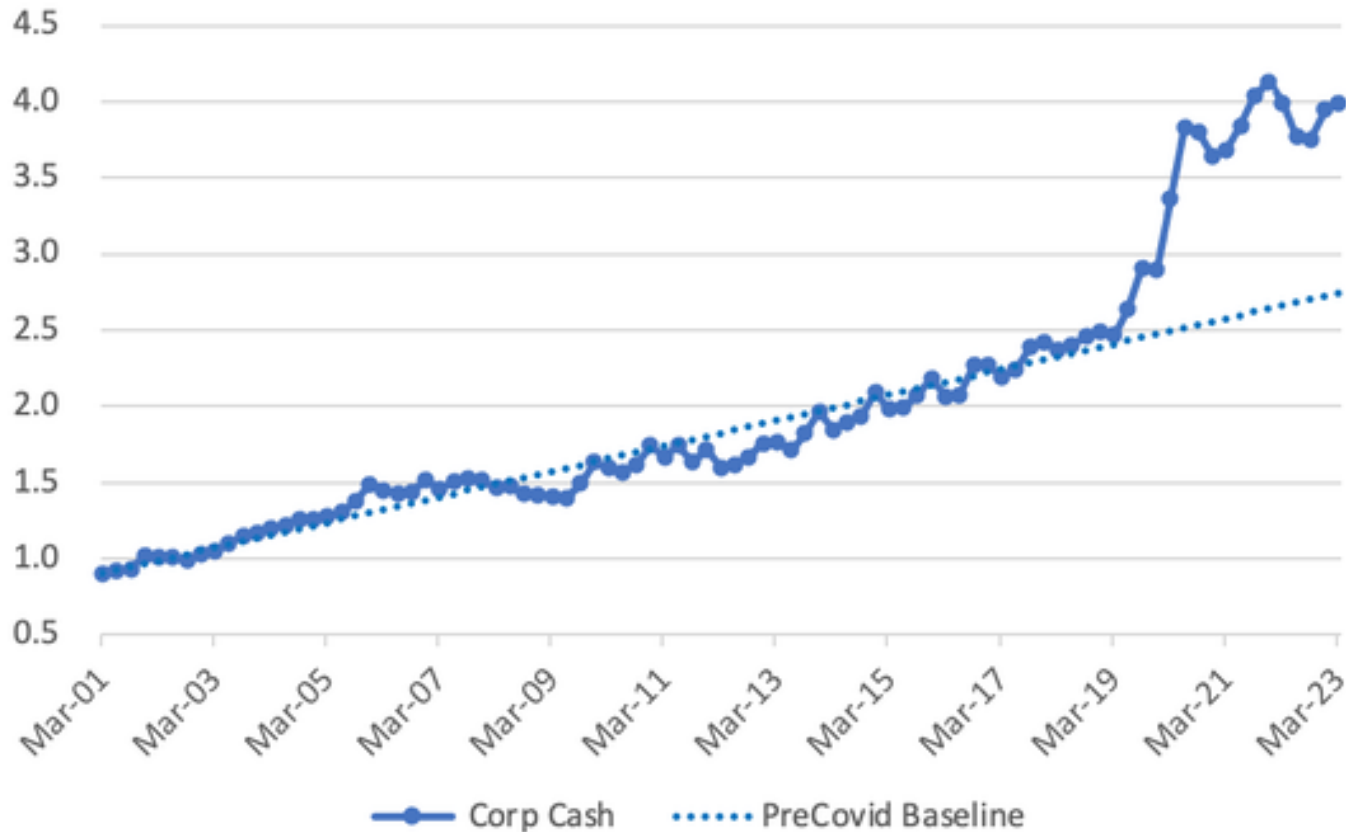
US M&A Activity

	Deal Value	Number of Deals	Average Deal Size
2022	\$1,599 billion	13,910	\$114 million
2023	\$1,442 billion	14,812	\$97 million



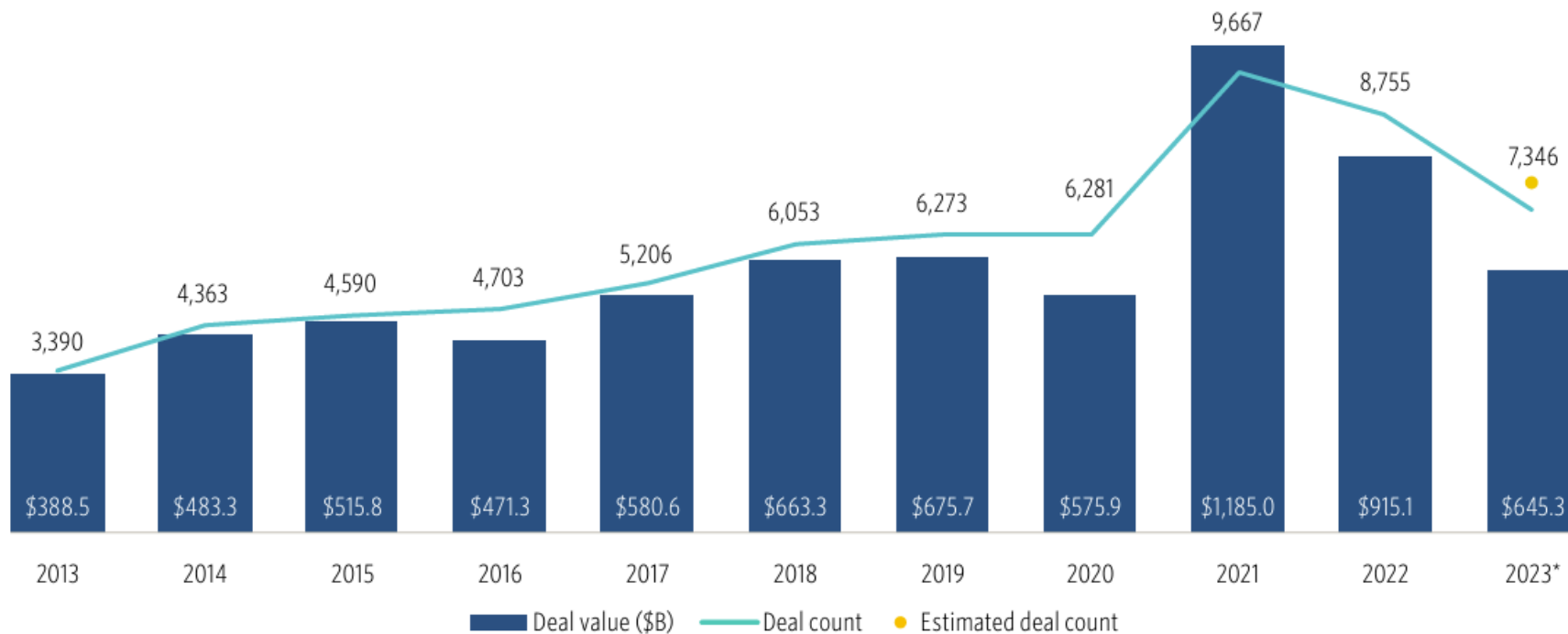
Sources: imaa, White & Case, FactSet

Cash on companies' balance sheets



Source: The Carfang Group

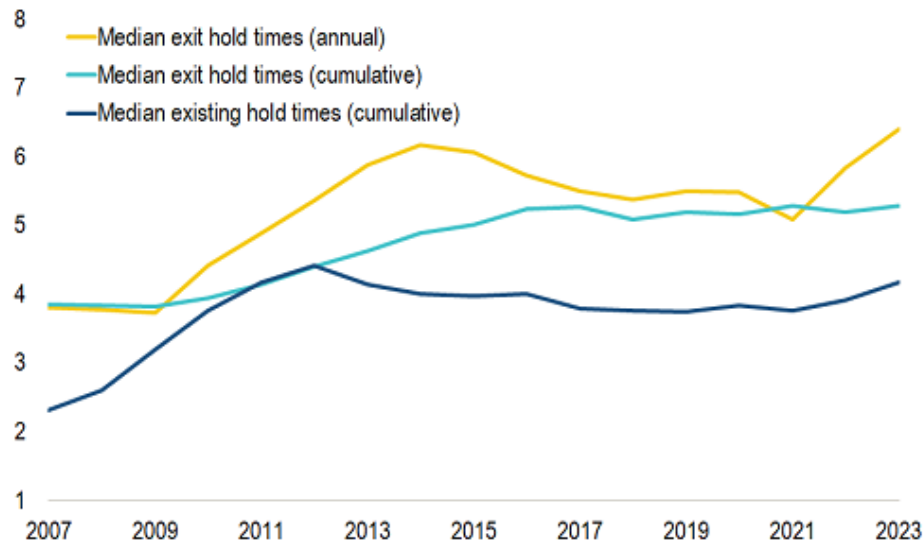
US Private Equity Deal Flow



Source: PitchBook • Geography: US • *As of December 31, 2023

US Private Equity Deal Flow

Private equity exit hold times (years)



Sources: PitchBook • Data through Dec. 31, 2023

Total Enterprise Value (TEV)/ EBITDA

TEV	'03-18	'19	'20	'21	'22	YTD'23
10-25	5.8	6.1	5.9	6.1	6.5	5.8
25-50	6.5	7.0	6.7	7.2	7.0	7.1
50-100	7.5	7.5	8.0	8.3	8.5	8.2
100-250	8.1	9.2	8.7	9.3	9.1	9.7
Total	6.6	7.1	7.0	7.6	7.6	7.3

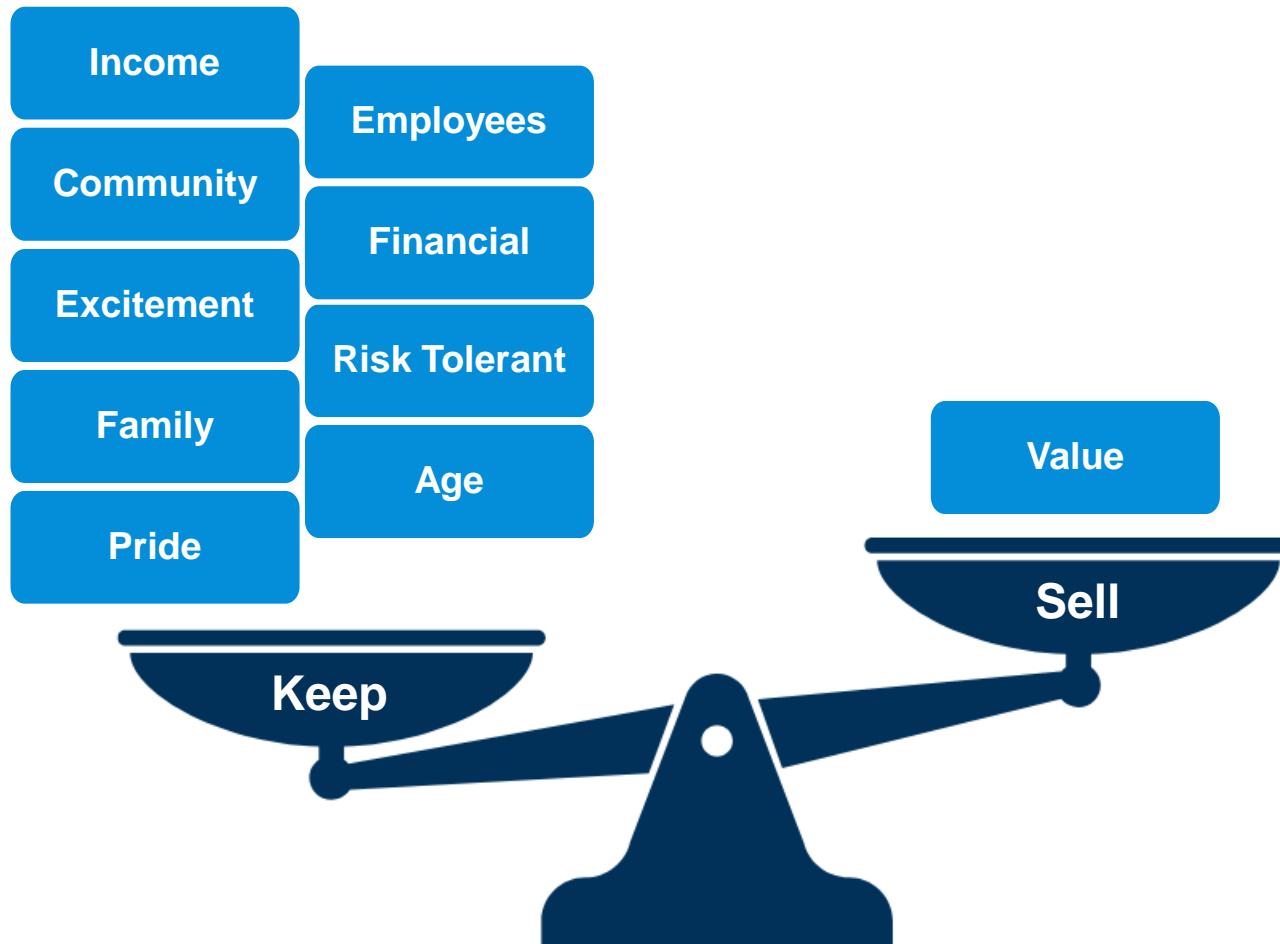
Source: GF Data as of December 22, 2023

Recent Noteworthy Transactions

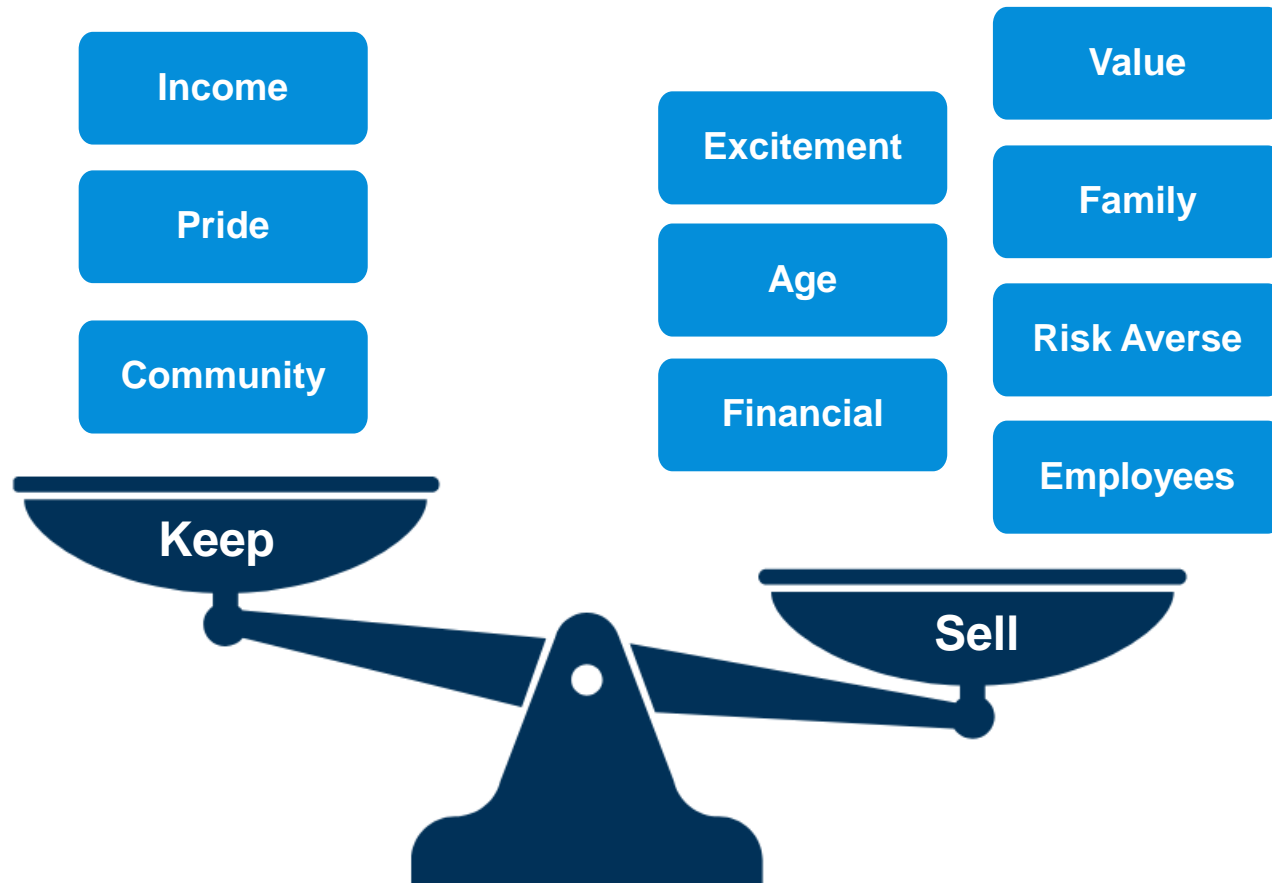
- RIA transactions fell 5.6% to 321 transactions in 2023
- Average AUM \$1.7bb
- Creative deal structuring helped drive activity in light of higher financing costs
- 71% of acquisitions were by another RIA
- Most common acquirers: Wealth Enhancement Group, Mercer Advisors, Captrust, Savant & Creative Planning – 19% of \$536bb in AUM tracked by Echelon
- Wealth Tech M&A grew 8.3% over 2022

Why do Owners Sell?

The balance of owning a business...



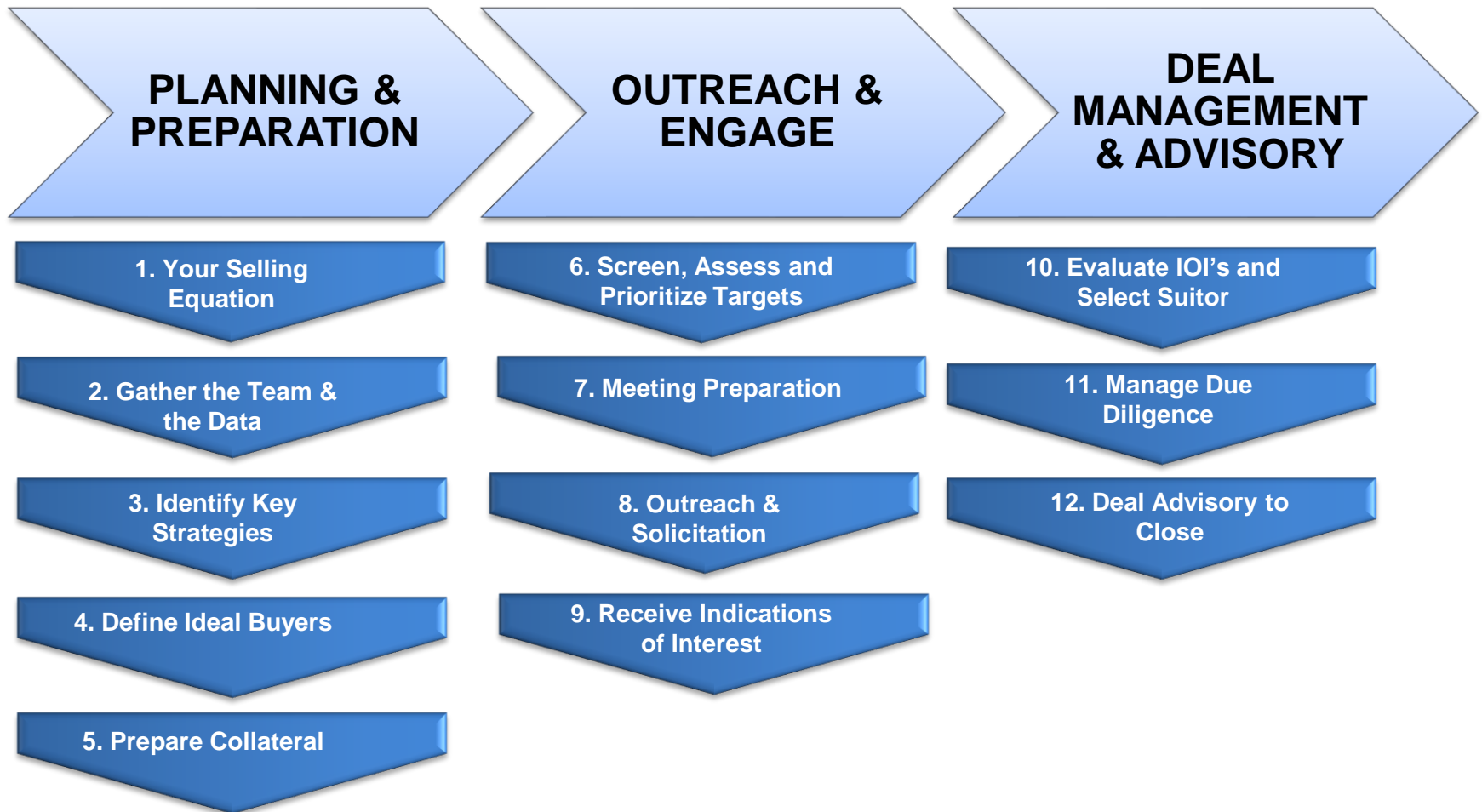
Tipping the scales...



Honest Question...

If an offer came in today to buy the business, are you (or your client) adequately positioned to evaluate it and potentially act upon it?

The Roadmap to a Transaction



Phase 1: Planning & Preparation

What are the keys to good transaction?

There are two primary things that I tell owners who are interested in selling their business.

1. Transactions are processes, not events.
2. Transactions take teams.

1. The Selling Equation

What is your “Selling Equation”?

$$= \sum (\underline{\mathbf{v}}\text{alue, } \underline{\mathbf{I}}\text{nvolve}ment, \underline{\mathbf{T}}\text{iming, } \underline{\mathbf{O}}\text{perations \& } \underline{\mathbf{S}}\text{tructure}) + X$$
$$= \text{SALE!}$$

It is the combination of factors that, when present, would inspire you to sell your business.

2: Gather the team and the data

Internal Team	External Team	Decision Makers	Deal Breakers
CFO	Law Firm	Chairman	Surety Company
VP of Business Dev.	Accountants	Board Member #1	Regulator
CIO	Transaction Advisor		Employee _____
VP of HR	Financial Advisor		
President			

2: Gather the team and the data

- Gather the data
 - Begin to assemble the data an interested buyer would want see.
 - Use a Virtual Data Room to house the information
 - Information should include:
 - Financial information
 - HR and personnel data
 - Technology data
 - Legal contracts
 - Information should be prioritized. General information will be shared early in the process, detailed information later

*This data will not be turned over to the prospective buyer(s) all at once. This information will be provided over time, but assembling the information now will save you time when you enter due diligence.

3: Identify key strategies

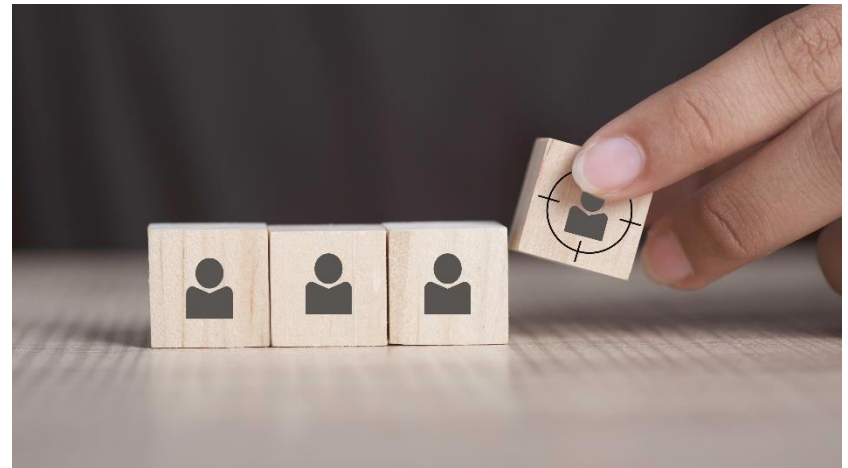
- What is your value-add to a potential target? Why would someone want to buy you?
 - Financial Performance
 - Unique and/or valuable assets
 - Market position, relationships
 - Management Team & Personnel
 - Products or Services
 - Defined Niche
 - Geography



*Value, much like beauty, is often in the eye of the beholder. Different companies will find different attributes valuable.

4: Define Ideal Buyer

- Formulate decision criteria
 - **Who can meet the requirements laid out in Your Selling Equation?**
 - Can a family transition meet your requirements?
 - Can a transition to members of management?
 - Can a transition to employees through an ESOP?
 - Can a third party via a sale?



4: Define Ideal Buyer

- Three broad and sometimes overlapping categories
 - **Strategic Buyers**
 - Strategic buyers are those buyers for whom your company could serve as a “missing piece of the puzzle”.
 - Strategic buyers may also be looking for you to become a “platform” company onto which they will add other firms.
 - **Financial Buyers**
 - Financial buyers are those firms or companies that will acquire you to obtain a desired return on invested capital.
 - Financial buyers come in a variety of styles including:
 - Private Equity
 - Family Offices
 - **International Buyers**

5: Prepare Collateral Material

- Teaser
 - Short, generally 1pg document that details what the company does, the type of transaction anticipated, geographic information, revenue/profitability or other performance metrics.
- Confidential Information Memo
 - Key investment considerations
 - Company description
 - Company strategy
 - Products
 - Marketplace
 - Customers & Partners
 - Management team
 - Financial summary



Phase 2: Outreach & Engage

6: Screen, Assess and Prioritize

- For those contemplating a transition to a family member, management team or employees, this is the time to objectively assess and rank their ability to consummate a transaction.
- For those planning a transaction with a third party, now is the time to begin to screen and organize the universe of potential buyers.

6: Screen, Assess and Prioritize

- Review “usual suspects”
- Research and evaluate firms against buyer criteria (established during Phase I)
- Prioritize alternatives; develop a list of Tier 1, Tier 2 and Tier 3 candidates
- Develop prospect profiles for top prospects
- Score prospects using weighted criteria to establish the new priority list

7: Prepare for First Meetings

- For those contemplating a transition to family or employees:
 - You may have to “help” make a transaction happen in a variety of different ways
 - Brainstorm ways a transaction could be crafted that would meet your needs
 - Write down your ideas

7: Prepare for First Meetings

- For those contemplating a sale:
 - The goal of the first meeting is to pique the interest of the potential buyer and induce them to want to investigate the opportunity further without inundating them with information.
 - Brainstorm “selling points” as to why prospects would want to purchase the business
 - Develop first meeting materials
 - Role-play typical interaction scenarios
 - Come up with a “cheat sheet” with answers to typical questions posed by buyers

8: Outreach & Solicitation

- For those contemplating a transition to family or employees:
 - Usually you will engage in a series of meetings over a longer time horizon than when selling to a third party
 - Collaboration is the key
 - Provide requisite data needed for them to understand the business and formulate an offer
 - Continually evaluate how interactions have gone and improve the process
 - Establish clear and objective milestones
 - “Some day” is the enemy
 - Follow Through!

8: Outreach & Solicitation

- For those planning a sale to a third party
 - Reach out to targets using Teaser & Confidential Information Memorandum
 - Conduct first meetings and visits
 - Provide requisite data for targets to construct an Indication of Interest
 - Continually evaluate how interactions have gone and improve the process
 - Iterate

9: Receive Indications of Interest

- The goal of meeting interested parties is to induce them to provide a pre-determined indication of interest
- This proof could be in the form of a Letter of Intent (“LOI”) or a simpler Indication of Interest (“IOI”)
- These documents are non-binding documents which detail basic deal value and terms
- Some buyers may request additional information in order to provide this document
- This is a good idea even if the interested party is family or a group of employees

Phase 3: Deal Advisory & Management

10: Evaluate IOI's and Select

- Review and Evaluate the tangible and intangible aspects of each proposed offer
- Use the Selling Equation (established in Phase 1) to assess each offer
- Request subsequent information from the prospective buyers as needed
- Select a suitor



11: Due Diligence Management

- Liaison between buyer and seller (and associated outside advisors) throughout process
- Logistics coordinator
- On-site due diligence schedule coordination and coaching
- Sounding board for buyer and seller due diligence leads and executives
- Virtual Data Room setup, ongoing management and tracking

12: Deal Advisory to Close

- Interface with Client, suitor, tax counsel, legal counsel and other participants
- Help Client anticipate questions and prepare for meetings
- Act as a sounding board and advise Client throughout the process leading to a satisfactory close



How to get started...

- The simplest and easiest way to get started is with a Valuation.
 - This is a key component in The Selling Equation and will give a business owner a perspective on how the market is currently valuing similar businesses.
 - Price is often a “go/no go” decision for business owners. It doesn’t obligate a business owner to any course of action, but it is usually the first hurdle to overcome.

The Capstone Roadmap to a Transaction



Take-Aways...

1. Regardless of the type of transaction contemplated, transactions are processes, not events.
2. Transactions take teams. Assemble a good one that executes a plan to achieve your objective.

“The secret of making progress is to get started”

Mark Twain



**Stay in
Touch.**



703-854-1910



bgoodhart@capstonestrategic.com



[linkedin.com/in/brian-k-goodhart/](https://www.linkedin.com/in/brian-k-goodhart/)

