

OUR SELL-SIDE PROCESS



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www.bacorporateadvisors.com

Valuation Drivers

Criteria

Lower Valuation Drivers

Higher Valuation Drivers

Financials:

- Less than \$2-3mm of EBITDA
- EBITDA Margins less than 10%
- High Capex/Low Free Cash Flow (FCF)
- Accounting inaccuracies
- Long cash flow cycle

- Greater than \$2-3mm of EBITDA – Valuation multiples typically increase again at > \$5mm of EBITDA and again at > \$10mm EBITDA
- EBITDA margins greater than or equal to 10%
- Asset light and high FCF
- Audited/reviewed professional/clean financials
- Short cash flow cycle

Company Growth:

- Slowing, flat, or negative

- High growth with clear path to achieve accelerated growth (eg: Ability to rapidly grow/scale)

Market(s) Served:

- Out-of-favor/Declining products
- Commodity/undifferentiated products/services
- Low barriers to market entry
- Lots of competitors – “Red Ocean”
- No specific industry focus
- Small addressable market with narrow geographical reach

- Growing market with identified industry drivers
- Proprietary/unique/value-added products/services
- High barriers to market
- Limited competitors – “Blue Ocean”
- Highly focused market with specialized position
- Large addressable market with wide geographical reach

Assets:

- Low-quality assets
- High working capital needs
- Redundant assets

- Well maintained and high-quality assets
- Strong return on fixed assets and working capital assets such inventory/AR turns

Suppliers:

- High reliance on limited number of suppliers

- Low reliance any single supplier with multiple sources for key product lines

Quality of Revenue:

- Non-recurring Revenue (Project Based)
- Narrow Customer base and/or product offerings
- High customer churn/low loyalty and low Net Promoter Score (NPS)
- Many substitutes/ high-cost expenditure

- Long-term contracts with recurring revenue
- Broad customer base with limited customer or product concentration
- Long-term customers with low turnover and high NPS
- Limited substitutes and low cost to value

Talent/Mgmt:

- Easy to replicate, train and replace employees
- Average Mgmt./High reliance on ownership
- High turnover and short tenure

- Highly specialized employee base with limited people with necessary expertise
- Talented Mgmt. bench/Low reliance on ownership
- Low employee turnover and long tenure

Industry Cyclicity:

- Revenue tied to cyclical industries

- Majority of revenue is tied to industries that have less volatility and cyclicity.

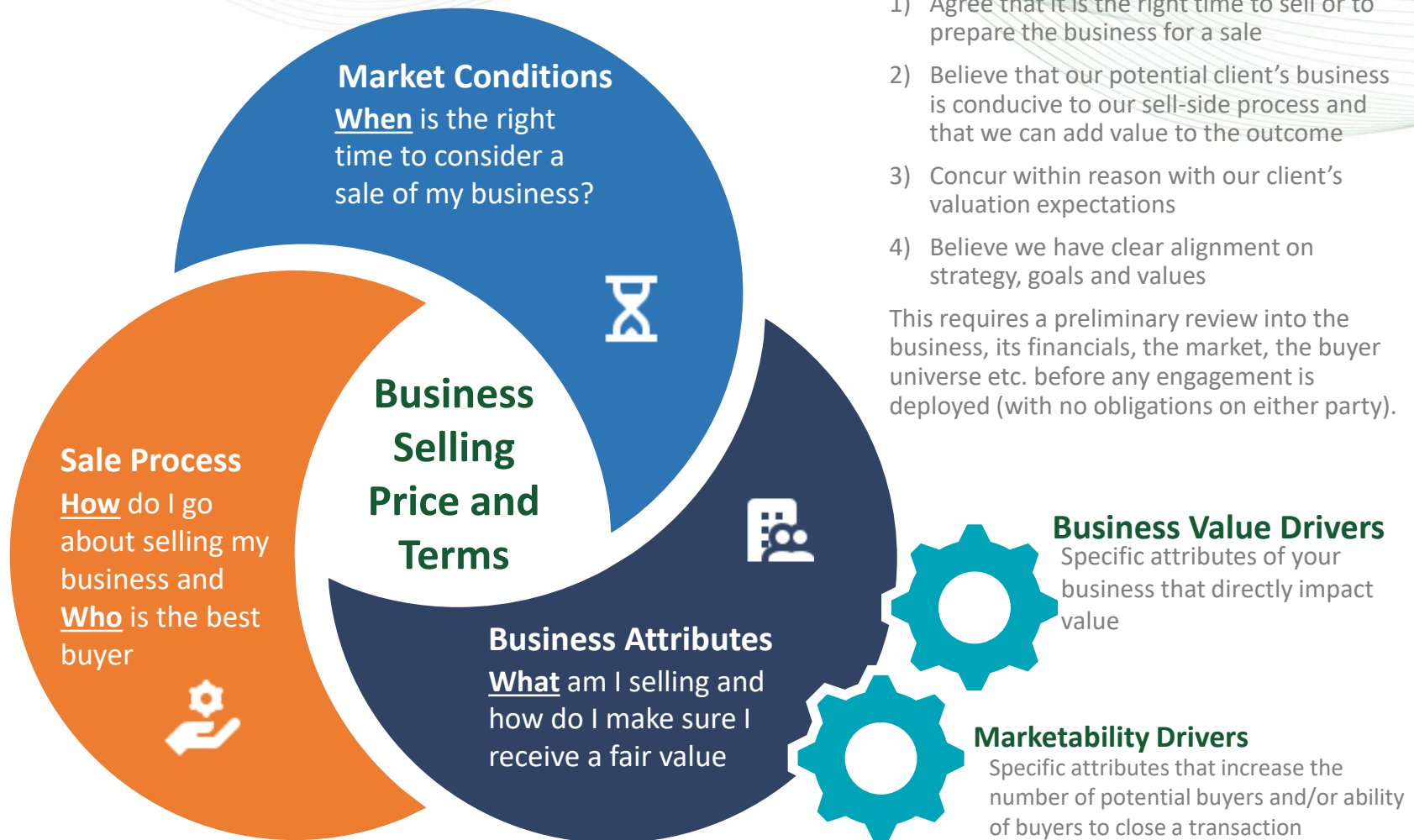


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Interacting Forces on Value



Before any engagement we need to:

- 1) Agree that it is the right time to sell or to prepare the business for a sale
- 2) Believe that our potential client's business is conducive to our sell-side process and that we can add value to the outcome
- 3) Concur within reason with our client's valuation expectations
- 4) Believe we have clear alignment on strategy, goals and values

This requires a preliminary review into the business, its financials, the market, the buyer universe etc. before any engagement is deployed (with no obligations on either party).



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How you Sell the Business Matters

Do-it-Yourself (DIY) vs. Hiring an Outside Advisor or Intermediary

How you prepare, market and negotiate the sale of the business to potential buyers matters!

Whenever a private company decides to make a major strategic change in ownership, the only way to be certain that it is the right deal, is by running a competitive process (either on your own or through an outside intermediary). A competitive process, at the very least, creates confidence that all viable options have been sufficiently explored.



DIY

Save on fees

Allows for complete control of sale process

Allows for direct communication with potential buyers to tell your story

Allows for quick sale with specific buyer

May be more appropriate when there is a single or very limited buyers and when there is a team with deep M&A experience

Can be extremely distracting

OUTSIDE INTERMEDIARY

Can be expensive and potential for misaligned fee structure

Allows for an objective less emotionally-driven process

Allows owners and managers focus on running the business (one of the biggest reason for failed deals is a deviation on business performance)

Usually facilitates and attracts a broader buyer base but can take longer

Creates a stronger basis for concurrent buyer competition by running a broader marketing process

Although still distracting, bringing in a professional team gives management bandwidth to continue focus on running the business

Often brings “unexpected” buyers from extensive contacts and professional network

Provides professional and specialized expertise

Allows for more open dialogue with buyer to identify concerns/obstacles regarding deal terms

Allows intermediary to “talk up” the business in a way that may be considered bragging or perceived with skepticism when coming directly from owner/Management

Brings increased credibility with buyers and helps create buyer confidence that seller is serious and prepared to transact and not wasting valuable their time

Pre-Market Preparation

Pre-Market – during this phase, we build out the financial models based on a detailed growth plan, build the data room, the Confidential Memorandum, the Teaser, co-develop the go-to-market strategy and conduct our own due diligence to identify items and potential solutions we believe may be issues raised by buyers.

Example Seller Diligence Review Items

- Review General Company Information
 - Eg: Shareholders Agreement, Corporate Records, Board Minutes
- Financials
 - Historical Balance Sheet, Income Statements, Audits, Budgets, Forecasts, Tax Filings
- Strategic Business Plan
- Major leased and owned assets
 - Fixed Asset Ledger
- Material Agreements
 - Affiliated Parties, Suppliers etc.
- Acquisition History
- Employee Matters
 - Organizational Chart, Incentive Plans, Job descriptions, Safety Record, Benefit Plans
 - Key Management
- Intellectual Property
 - Patents, Trademarks, Domain names
- Product Development
 - Processes and Pipeline
- Products and Services
 - Sale and Gross margin by Product line
- Customers and Markets
 - Sales and Gross margin by top customers
 - Sales and Gross margin by segment
- Suppliers
 - Purchasing Process, Supplier Contracts
- Competition
 - SWOT



Sale Process Options and Timing

	NEGOTIATED SALE	FOCUSED SALE	BROAD AUCTION
Description:	Direct contact and negotiation with the most capable and likely buyers	Direct contact with a select list of capable and potential buyers	Contact wide range of potential buyers seeking an outlier
# of Buyers Contacted:	6-10	10-80	80-200+
Bidding Format:	Direct discussion and negotiation	Competitive two-step auction	Competitive multi-step auction
Flexibility of Process:	Very High	High	Medium – Somewhat Process Driven
Approximate Time (Kick-off to Close):	4-6 Months	6-8 Months	8-12 Months
Advantages:	<ul style="list-style-type: none"> Threat of process drives value Value discovery Speed of execution High confidentiality Maximum flexibility 	<ul style="list-style-type: none"> Stimulates urgency Expanded value discovery Process flexibility Expedited timeline Competitive tension 	<ul style="list-style-type: none"> Broadest spectrum of potential buyers and structures Stimulates strong sense of competition Flexibility somewhat limited by process
Disadvantage:	<ul style="list-style-type: none"> May forego some competitive tension Value discovery somewhat limited Potentially more difficult to impose timeline and deadlines May overlook premium outlier 	<ul style="list-style-type: none"> Differentiating buyers Market noise Some business disruption Point of no return 	<ul style="list-style-type: none"> Longer execution timetable Shelf-life and noise “High traffic” interfering with business leadership Best buyers may become fatigued or resist process



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The In-Market 2-Step Bid Process

TEASER & NDA

A Teaser is sent to client-approved potential buyers. If interested, potential buyers execute a Non-Disclosure Agreement (NDA) and receive the Confidential Information Memorandum (CIM), followed by Q&A with seller's representative deal team.



MANAGEMENT MEETINGS

IOI's are reviewed with the client and selected parties are invited to meet with Management. The deal team works with management to prepare a management presentation that provides additional insight on the business for buyers. Top candidates are provided access to a Virtual Data Room (VDR)



PURCHASE AND SALE AGREEMENT

The deal team and client negotiate with the top parties to finalize a LOI, and the top candidate is given an exclusive period to negotiate a definitive Purchase and Sale Agreement (PSA), complete their due diligence (eg: environmental, legal, financial) and to arrange financing.



INDICATION OF INTEREST

Parties wishing to proceed in the competitive process are asked to submit initial bids often referred to as an Indication of Interest (IOI) or an Expression of Interest (EOI). Further high level Q&As are scheduled with buyers and the seller's representative deal team.



LETTER OF INTENT

Once potential buyers have met with Management, they are given more information via the VDR and continue to conduct their due diligence. Interested parties are invited to submit a non-binding Letter of Intent (LOI), outlining key terms of the proposed transaction.



FINANCING AND CLOSE

After the PSA is executed, final arrangements are made for financing with banks/lenders or other investors. A closing agenda outlines the process for buyer loan repayments, flow of funds etc. Once both buyer and seller closing conditions are met, the deal is closed and the transaction is consummated.



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Typical Timeline

TRANSACTION PLANNING AND PREPARATION (1 - 3 months)

Engagement Letter Signed



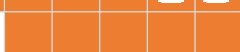
Seller DD, Compile Docs, Q&A with Team



Draft and Finalize Teaser, CIM, and NDA



Prepare Online Data Room



Finalize Potential Buyer List



MARKETING AND DUE DILIGENCE (Flexible – TBD)

Contact Buyers/Distribute NDAs and Teaser



Negotiate NDAs



Distribute CIM



Open Data Room



Respond to Buyer Feedback – Q&A



Mgmt Meetings with Select Buyers



PHASE II OF DUE DILIGENCE (1 month)

Select Buyers to Move Forward in Process



Ongoing Buyer Due Diligence



Receive & Review “Letters of Intent”



FINALIZE DEAL AND TERMS (2 - 4 months)

Negotiate and Finalize Letter of Intent



Facilitate Confirmatory Due Diligence



Complete QofE, Environmental Reviews



Negotiate & Finalize Definitive Agreements



Finalize Financing, Consents, Approvals



Close Transaction



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Indicates high level of client involvement

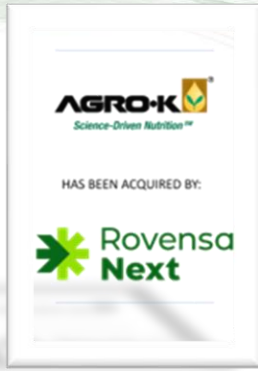
The M&A Intermediary Landscape

Sell-Side Services

B&A Corporate Advisors	SDR Ventures	Middle Market iBanks Eg: Lincoln, Piper	Bulge Bracket iBanks Eg: Goldman Sachs, BMO Capital Markets	Business Brokers Eg: Generational Equity, Woodbridge
<ul style="list-style-type: none"> • Number of active deals limited to 1-2 at any one time • Typically focused on closely-held, family-owned, and/or entrepreneurial-led private companies • Deal scope typically limited to relatively narrow process focused on Strategics and select Private Equity/Family Offices • Typically deals between \$5 - 50 million in Enterprise Value 	<ul style="list-style-type: none"> • Number of active engagements at any time allows for SDR's Owners' support, deal coaching and problem solving • Each deal is resourced like the bigger iBanks • Capabilities to run very narrow or broad process • Focused on private, closely-held, and/or entrepreneurial-led businesses • Typically \$50 - 150 million Deals 	<ul style="list-style-type: none"> • Typically "generalist" firms with small team of industry specialists • Managing Directors focused on sell-side engagements that fit for major industry clients • Smaller deals led by junior staff • Many also offer IPOs, Asset Management, Equity research, and sell a host of investment products • Typically \$50-500 million Deals 	<ul style="list-style-type: none"> • Focused on large deals, investment products, public company equity analysis • Managing Directors typically focus on sell-side engagements that fit for major industry clients • Sell-Side M&A is only one of many services provided – priorities are underwriting major IPOs and secondary offerings for publicly traded clients • Small deals led by junior staff • Deal Size is often \$1billion+ 	<ul style="list-style-type: none"> • Generalists • Tend to provide a listing service rather than full service strategic M&A advisory service • Most appropriate for businesses likely to be acquired by a local entrepreneur or an investor looking to own/operate their own business (eg: restaurants, production agriculture etc.) • Often have significant real estate component and compete with Real Estate Brokerages • Deal Size is typically \$2-10 million

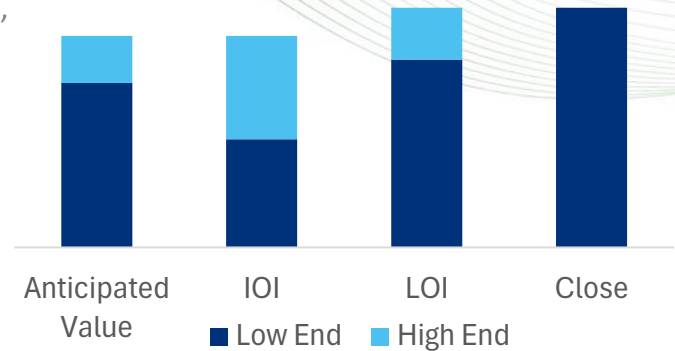


Case Study – Sale of Agro-K to Rovensa



- Agro-K is a leading developer of a comprehensive portfolio of biological and nutritional products for the horticultural and the field crop industries.
- B&A Corporate Advisors acted as the exclusive sell-side M&A Advisor on its sale to Rovensa Next, the biosolutions business unit of Lisbon-based Rovensa.
- The process focused on US and International strategic buyers, along with a select group of Private Equity and/or Family Offices that had core expertise and/or experience in the agricultural input market.
- Agro-K ultimately chose to sell to Rovensa, based on its competitive offer and the strategic fit with its growth plans for its biosolutions business in the US.

Closing price was 28% higher than the midpoint of the Anticipated Value and 43% higher than the midpoint IOI Value



- 74 Buyer Candidates
- 43 NDA's signed and CIMs Sent
- 11 Initial Offer Letters
- 7 Meetings with Management
- 6/7 buyers wanted to submit LOIs but only 2 submitted (on our advisement)

Eric ... was able to quickly understand Agro-K's value points to package and present Agro-K to interested parties. B&A was a true partner from start to finish and skillfully guided Agro-K through the entire process.

Eric understands that selling a family business is an emotional path to travel and to his credit he never put timing or other interests ahead of our family's goals for Agro-K. Eric's unparalleled dedication to the complexities of our deal process showed us the breadth of his middle market M&A knowledge and skill set. In hindsight, we could not have imagined entertaining this process without B&A by our side. We were extremely satisfied with our representation and the outcome."

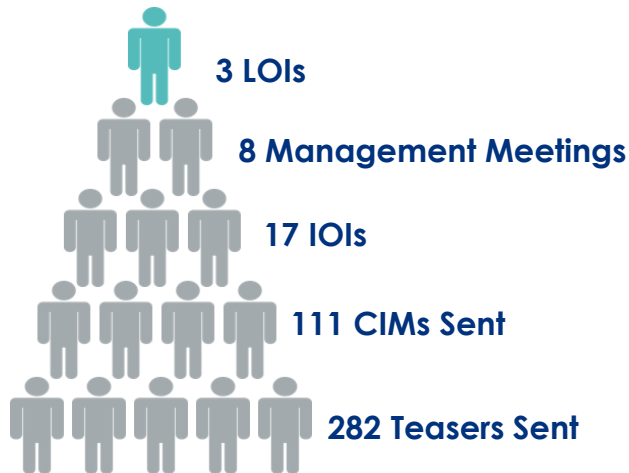
– AGRO-K OWNER/MANAGERS, LOHINI AND CHAPMAN MAYO



Case Study - Hollandia Produce

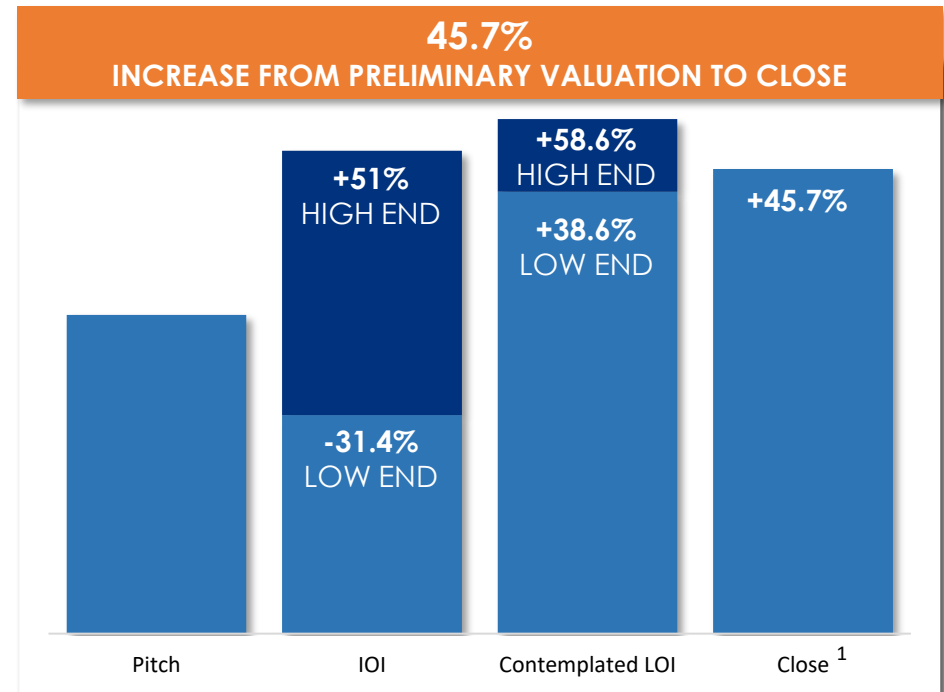
Sale of Hollandia/Pete's Living Greens

- Hollandia Produce engaged the services of SDR Ventures to facilitate a sell-side transaction.
- SDR Ventures ran a broad process and identified a unique opportunity that resulted in the ideal transaction for Hollandia and its employees. The ESOP structure of the transaction not only created an ownership opportunity for Hollandia's 150 employees best positioning the company for future success, it also maximized cash consideration to the sellers.
- From SDR's perspective, this one-of-a-kind transaction helped ensure that Hollandia ended up in great hands and that the goals were met for Hollandia's management team.



“The SDR team was able to locate and engage the perfect partners for us and smoothly guide this complex transaction. SDR's commitment to our goals never wavered. We're proud to know that our employees can now say they hold an even deeper stake in our company.”

– PETE OVERGAAG, 2ND GENERATION CEO & OWNER



¹ Note: Seller did not select highest offer

