



5 Reasons Why Your Company Has Not Sold Yet

Leveraging 2-Stage Acquisition Partners To Sell Your Company For The Highest Possible Price

Selling Your Business Will Be Harder Than 10 Years Ago Due To

A Much Higher Supply Of Companies And Lower Investor Demand.

Here Are 5 Reasons Why Traditional Selling Methods Hasn't Worked.

Reason 1

Market Conditions For Selling A Business

Major Variables Negatively Affecting The Sale Of Your Business Are



**70% of All Businesses In America Are
Owned By Boomers Over Age 55.**

**8,000 Baby Boomers Will Turn 65
Years Old Every Day Until 2029.**

The Business-For-Sale Market

**Will Continue To Be Flooded With
Competing Companies For Sale**

Thereby Making It A Buyers
Market That

**Drives Down Asking Prices To Exit
A Company.**

Additional Negative Market Effects

- ❑ Higher Borrowing Interest Rates
- ❑ Economic Recession Worry
- ❑ High Levels of Inflation
- ❑ Global Economic Conditions
- ❑ Demographic Trends
- ❑ Energy Prices
- ❑ Level of Consumer Confidence

All Uncontrollable Variables To Overcome When Trying To Sell

Reason 2

Lack of Sufficient Transferable & Defensible Value

Has Your Business Been Professionally Appraised?

For Today's Skeptical Investors & Lenders, This Is An Absolute Must.

**An Appraisal Shows The Company's
Defensible And Transferable Value.**

Advantages Of An Appraisal

- ❑ Provides an informed opinion about the business value.
- ❑ The business is viewed from a neutral, 3rd party perspective, which is how a buyer and lender will see it.
- ❑ It puts less strain on a transaction. Since price is normally the biggest obstacle, a valuation can reduce tension and allow more focus on the terms and conditions of a deal.

cont'd

Advantages Of An Appraisal

- ❑ It shows preparation and forethought. A business valuation shows a buyer you are a serious seller and not simply “testing the market”.
- ❑ Getting an Appraisal Report expressing the value of the business based upon the Uniform Standards of Professional Appraisal Practice (USPAP) and containing the material factors that lead to a conclusion of value, will save you time & money.

Use A Certified Appraiser

- ❑ Use an appraiser who works with main-street businesses.
- ❑ Main-street appraisers deal in SDE (Seller's Discretionary Earnings) and derive risk analysis from the actual company, not a size adjusted or discounted Wall Street firm.

**Without A Certified Appraisal Report,
Many Lenders Will View**



Your Asking Price As Guess Work.

Using Exit Planning To Maximize SDE, Value & Asking Price

About 1-2 Years Ago Did You

- ❑ Make a list of potential strategic buyers.
- ❑ Attorney check business entity and related docs.
- ❑ Audit or review financials for a compelling story.
- ❑ Get a professional valuation.
- ❑ Cleaned up employment and HR compliance.
- ❑ Registered and cataloged your IP.
- ❑ Settle any lawsuits and threatened claims.
- ❑ Cleaned up your Cap table.
- ❑ Invested in profit making assets and Cap-ex.
- ❑ Make yourself redundant for company operations.

About 1-2 Years Ago Did You

STOP:

- Being the “face” or key person in the company?
- Suppressing profits to save taxes?
- Paying personal expenses from the business?
- Paying down debt & invested in profit instead?
- Key employees from leaving the company?
- Key client accounts from leaving?
- Paying for things you don't use? Cut expenses?
- Telling anyone and everyone that you're selling?



A Critical Factor You Must Realize.

**Investors Are Not Looking At The
Amount Of Revenues Generated!**

They Are Mainly Interested In The
Amount Of Profits Generated!

The Amount Of SDE/EBITDA In Exchange For The Investor's Risk

Is The Most Likely Reason Your Business Will Or Will Not Sell!

Here Are Some Of Those Key Factors Investors Are Looking For

The 7 Pillars Of Building Company Value

1

MRR
= Secure More
Growth Capital

Auto-ship/renew
| Memberships |
Saas Creation |
Rebuy
Consumables |
Imp. Service
Memberships |
Subscriptions |
IOT Based
Reorder



2

**Supplier/
Distributors**
= Increase Profit
Margins

Manufacturer |
Affiliates |
Suppliers |
Retailers |
Agencies |
Distributors |
E-comm Stores



3

Product/Service
= Increase
AOV/LCV

B.D.A
Products/Services |
Complementary
Products/Services |
Enhancing
Prod./Services |
Related
Low/Mid/Hi Brands
Up/Down/CrossSell
Products/Services |
Substitute
Products/Services



4

Media
= Lead Generation

Email | List | TV
Access | Radio |
Newsletters |
Magazine | SEO
Blogs | Videos
Social Media
Accounts |
Podcast |
LinkedIn & FB
Groups



5

**Acquire
Competitors**
= Marketshare

Direct / Indirect
competitors |
Substitute /
Replacement
Providers |
Geographic
Competitors |
Price-Based
Competitors |
Segment
Competitors



6

Team/Systems
= Increased
Capacity

In/Out Sales Team
| Rep Network |
Operations Team |
Development Team
| Operating
Systems |
Standard
Operating
Procedures |
Mfg/R&D/Mkt/Eng
Team



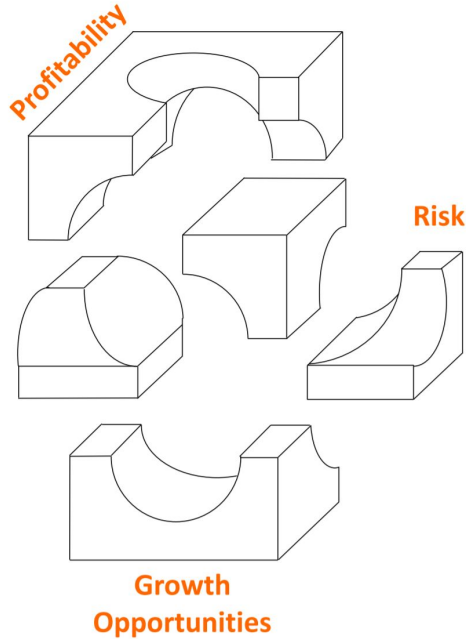
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IP
= Innovative
Ideas/Products

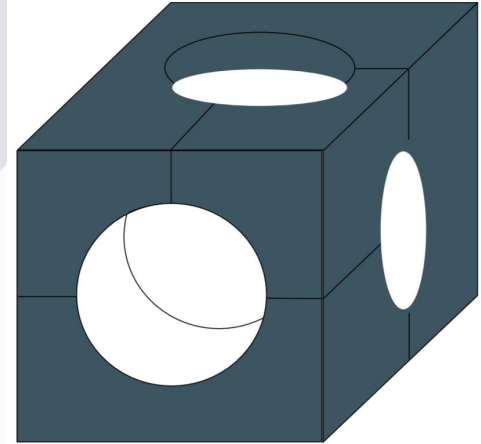
Patents |
Trademarks |
Licenses |
Recognized Logos
| Inactive Brands |
Franchises |
Research Labs |
Prototypers



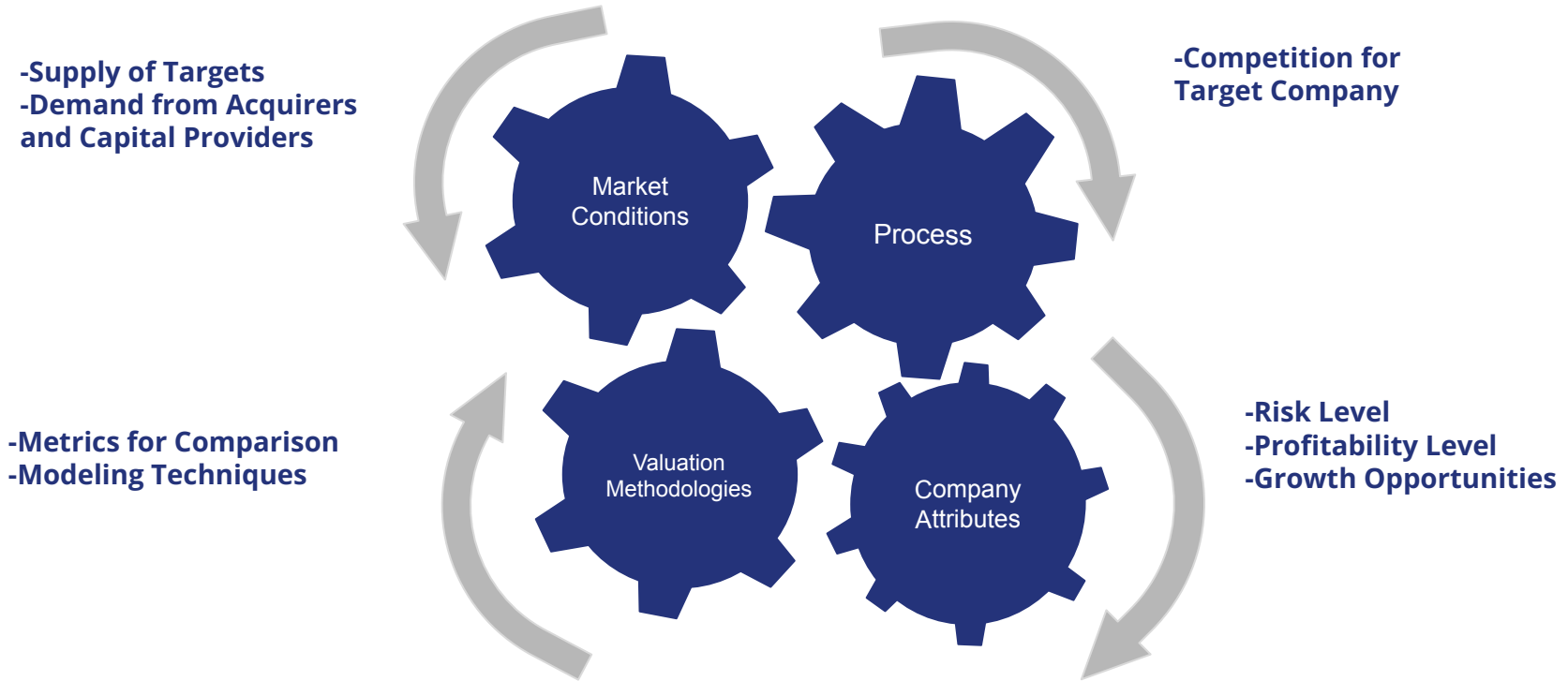
What Drives Company Value?



- Business Model
- Culture
- Diversification - Customers, Products, Markets
- Fit and Synergy with Acquirer
- Growth Opportunities
- Historical Performance
- IP / Brands, Proprietary Elements
- Management
- Profitability / Defensibility
- Regulatory Environment
- Size and Market Share



What Drives The Multiple?



Source: Intrepid

Reason 3

Lack Of A Compelling Financial Story In The Last 3 - 5 Years

**Ideally, You Should Have
3-5 Years Of Steady Growth**

**In Both Revenues And
SDE/EBITDA.**

**Most Buyers Look At What You've
Done So Far As Something**

To Build On And Question How
Likely It Is To Continue After
Acquisition.

**A 3 - 5 Year Positive Trend With
Avg 19% YOY Growth**

**Gives A Buyer Reason To Consider
The Future Of Your Business As
Positive.**

Just Having One Down Year In Your Recent History

**And It Can Become Exponentially
Harder To Sell Your Company.**

**It's All About How The Business
Has Performed Recently.**

What It Did 5 or 10 Years Ago, In
A Completely Different Economy,
Has Little Bearing Today.

Reason 4

**The Right Type Of Buyers Were
Not Attracted.**

Identification Of The Buyer Type You Want To Sell To Is Important

Strategic Buyer or Financial Buyer

Benefits	Considerations	Benefits	Considerations
<ul style="list-style-type: none">• Achieve maximum, immediate liquidity.• Benefits from operating synergies.• Strategic buyers generally have the ability to provide a higher valuation due to expected synergies and strategic value, but not always.• Opportunity to leverage buyer's management resources and corporate infrastructure to reduce current management's time commitment.• Eliminate risk of future market conditions for current shareholders.	<ul style="list-style-type: none">• Higher risk of change in company culture• Current management team may not retain operational control• Current management and shareholders may be required to enter into employment or non-compete agreements• Selling shareholders will likely not share in potential equity upside from the company's continuing success• Confidentiality considerations during process• Post closing, company may become a business unit of a larger enterprise	<ul style="list-style-type: none">• Achieve substantial liquidity for shareholders• Management receives equity incentives with upside potential• With a well-chosen partner, the company could benefit through board-level advice and capital for future expansion• Allows management to retain a minority equity interest for a "second bite at the apple"	<ul style="list-style-type: none">• Increased leverage on balance sheet• Current shareholders do not control the timing of the second exit• Valuation could be influenced by financing requirements• New owners likely to require management to retain an ownership stake in the company• Current shareholder upside limited to retained minority interest and potential option program

Source: Intrepid

Strategic Buyers vs. Financial Buyers

Strategic Buyers

- ❑ Strategic Buyers acquire companies because of the potential long-term value they may represent to the acquirer.
- ❑ Qualities Sought By Strategic Buyers:

Growth

- Add or Extend Manufacturing / Service Capabilities
- Synergies (Revenue, Purchasing, Headcount, etc.)
- Strategic Expansion (End Market, Product Line, etc.)
- Industry Consolidation Opportunity
- New Customer Access
- Margin Improvement
- Accretive Financial Impact



















Financial Buyers

- ❑ Financial buyers acquire companies with the goal of reselling the company in 3 - 7 years to generate a return on their investment.
- ❑ Qualities Sought By Financial Buyers:

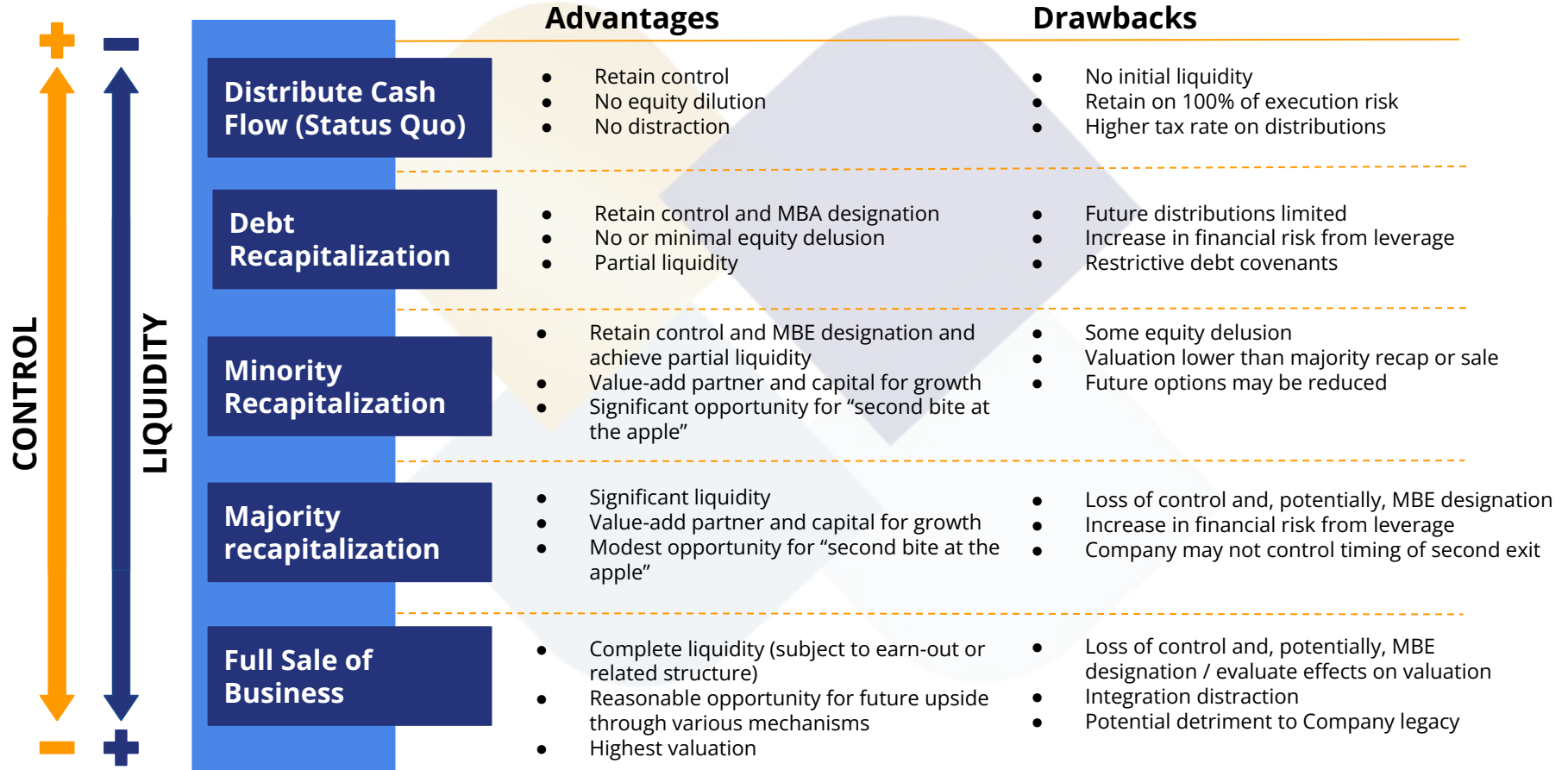
Growth

- High Barriers to Entry.
 - Proven Management Teams.
 - Strong Organic Growth.
 - Differentiated / Value Add Products or Services.
 - Potential for Acquisitions.
 - Attractive Financial Profile
 - Possibility to Expand Exit Multiple
 - Ability to Service Debt
- ❑ Need to purchase at prices that allow the Financial Buyer to generate risk-adjusted returns over time.

Analyzing Prospective Buyer Benefits

Company	Strategic Impact	Distribution Efficiencies	Cross-Selling Opportunities	Operating Expense Savings	Technology / Processes	Overall Synergy Impact	Financial Capacity to Pay
 DOREL	✓	✓	✓	✓	✓		
 LI & FUNG		✓	✓	✓			
 SAUDER®	✓	✓	✓	✓	✓		
 RH RESTORATION HARDWARE		✓	✓	✓			
 OTTO		✓	✓	✓			
 WILLIAMS SONOMA CALIFORNIA		✓	✓	✓			

Which Transaction Type Is Right For Them?



Which Process Is Right For Them?

	Process	Advantages	Disadvantages
Pre-Emptive Negotiation	Potential targets are prioritized according to their anticipated interest and are contacted one at a time, beginning with the most likely seller chosen.	<ul style="list-style-type: none">• Highest degree of confidentiality• Most control over process and sensitive information.	<ul style="list-style-type: none">• Difficult to achieve maximum selling price• Weakened negotiating position.• Potential extended timeline.
Targeted Auction	A limited number of the most likely sellers are contacted as a group; buyer is in discussion with a "select few" other potential sellers.	<ul style="list-style-type: none">• Competition among most attractive buyers.• Control is maintained over confidential information• Get the "right" parties more actively involved.	<ul style="list-style-type: none">• Does not reach entire universe.• May not achieve the maximum selling price
Broad Auction	Indications of interest are solicited from a broad spectrum of potential sellers with the goal of creating a competitive bidding environment.	<ul style="list-style-type: none">• Broad distribution and competitive environment increase likelihood of maximum valuation.• Potential accelerated timeline	<ul style="list-style-type: none">• Confidential information is broadly distributed.• Possible disruption to company / management• Potential compromise of confidentiality

Reason 5

**Not Enough Confidence
Shown In The Company's Value
By The Seller**

The Fastest Path To A Profitable Exit Is By

Reducing The Buyer's Acquisition Risk

Package An Offer That A Buyer
Would Be A Fool For Not Taking

First Determine Your Minimum Exit Number

Use SDE For An Owner Operated
Business.

Use EBITDA For A Professionally
Managed Business.

DESIRED MONTHLY
INCOME \times 12

\div ESTIMATED % RETURN ON
POST-EXIT INVESTMENTS

$=$ ASSETS NEEDED

\$10K PER MONTH **×** **12**

÷ **5% ROI**

= **\$2.4M NEEDED**

**YOUR DESIRED
MONTHLY INCOME**

× 12



**ESTIMATED % RETURN ON
POST-EXIT INVESTMENTS**



**YOUR POST-EXIT ASSETS
NEEDED**

YOUR EXIT
NUMBER



EXIT
MULTIPLE

= MINIMUM REQUIRED
EBITDA OR SDE TO EXIT

Recognize All Hidden Value That
Allows You To Work With A Buyer

For Example

**Use Valuation Arbitrage To Move
From SDE To EBITDA**

SME > PE > IPO Valuation Arbitrage

The Professionally
Managed Business Is
Worth 1.8X More.



Your Owner Operated SDE Target

\$2.4M



2.5

= \$960,000

Your Exit-Ready SDE Is

\$960,000

Your Professionally Managed EBITDA Target

$\$2.4\text{M} \div 4.5$

$= \$533,333$

Your Exit-Ready EBITDA Is
 $\$533,333$

$$4.5X / 2.5X = \underline{1.8X}$$

The Professionally Managed
Business With Growth Strategies
Is Worth 1.8X More.

**80%-90% of Business Owners Have
Their Wealth In Their Business.**

**80% Of Businesses Listed For Sale
Don't Sell and 90% That Do Sell
Don't Get Their Asking Price.**

So Being Open To Creative
Acquisition Terms Can Ensure
A Quick Sale

Explore Acquisition Options

- Lease Option on Total Business
- Lease Purchase
- Gross Cash Flow Assign Down Payment
- Net Sales Cash Flow Assign Down Payment
- Gross Margin Cash Flow Assign Down Payment
- Owner Carry (OC) W/O Note Payable, No Interest + Balloon
- OC: Unsecured NP, No Interest + Balloon
- OC: Secured NP, No Interest + Balloon
- OC: Unsecured NP, Interest Only + Balloon
- OC: Unsecured NP, No Interest Straight Amortization
- OC: Secured NP, W/ Interest Straight Amortization
- Accounts Receivable Offset
- 100% Promos
- Pre-Sell To Finance Acquisition
- Inventory/Services/Asset
- Bus. Broker/Investment Banker Loan From Commission
- Bus. Broker/Investment Banker Invest. For Equity
- Vendor Co-Sign
- Deferred Down Payment (DDP)
- Leveraged Buyout (LBO)
- Straight Partial Acquisition
- Two-Step Partial Acquisition
- Partial-Option to Acquire From Seller
- Full-Option to Acquire From Seller
- Earn-out /Earn-in

A Trend Emerging In Popularity Is Using Acquisition Partners To Exit

A Common Tactical Option Is To Offer Strategic Buyers

Compelling Seller-Financing With Protective Terms For The Seller

**For Example, With Your Minimum
Exit Number In Mind**

**Any Increased Value Over It Could
Allow You To Offer More Favourable
Financing Terms**

Your New
Company Value



Minimum Exit
Number

 Compelling Seller
Financing Offered /
Earn-out Opportunity

Your New
Company Value — \$2.4 M

== Compelling Seller
Financing Offered /
Earn-out Opportunity

What's The Solution To Get Your Company Sold?

Our 2-Stage Acquisition Model

**We First Maximize The Value &
Desirability Of Your Company.**

You Gain An Exit-Ready Company
And Secures Us As A Buyer.



**With \$50M In Investment Capital
Available**

Here Is What Our Investors Look For...

Understanding Of The Value Drivers

- ❑ Strategic plans created/implemented to maximize value
- ❑ Which lines of business will enhance or detract from valuation
- ❑ Fill product / service line gaps
- ❑ Best suited for Strategic or Financial acquirers

Diversified Revenue Base

- ❑ Addressed customer / geographic / product concentration
- ❑ Secured contractual / recurring revenue

Fortified Management Team

- ❑ Succession plan / identify "heir apparent" in place
- ❑ Secure key management and employees through transaction
- ❑ Recruited experts for management / board
- ❑ Maximize earnout potential

Market Share Growth Opportunities

- ❑ Acquired challenged companies and smaller competitors
- ❑ Seek "good companies with bad balance sheets"
- ❑ Grow brand and market presence

Organized Company Records

- ❑ Annual director, shareholder and special minutes
- ❑ Stock records and authorizations for new stock

Barriers to The Sale Removed

- ❑ Review charter documents approvals, rights of first refusals, etc.
- ❑ Develop strategy for preemptive rights and non-dilutable ownership

Audited Financials & Appraisal Obtained

- ❑ Broadens range of potential acquirers
- ❑ Lends credibility to the "story"
- ❑ Enhances predictability of future revenues and expenses
- ❑ Reduces risk of costly renegotiations and indemnification claims, holdbacks

Our Profitable-Exit Model Is Trusted By Our Investors



Profitable Exit-Ready Blueprint

Ensure Your Minimum Exit Number In Cash

1

Increase Company Value Over Current Asking Price

- **Secure 2-stage Acquisition Partner**
- **Work With Growth Advisors**
- **Maximize Profits**
- **Increase Company Value 2X -6X**
- **Reduce Buyer Investment Risk**
- **Improve Negotiating Power**

2

Offer Attractive Seller Financing

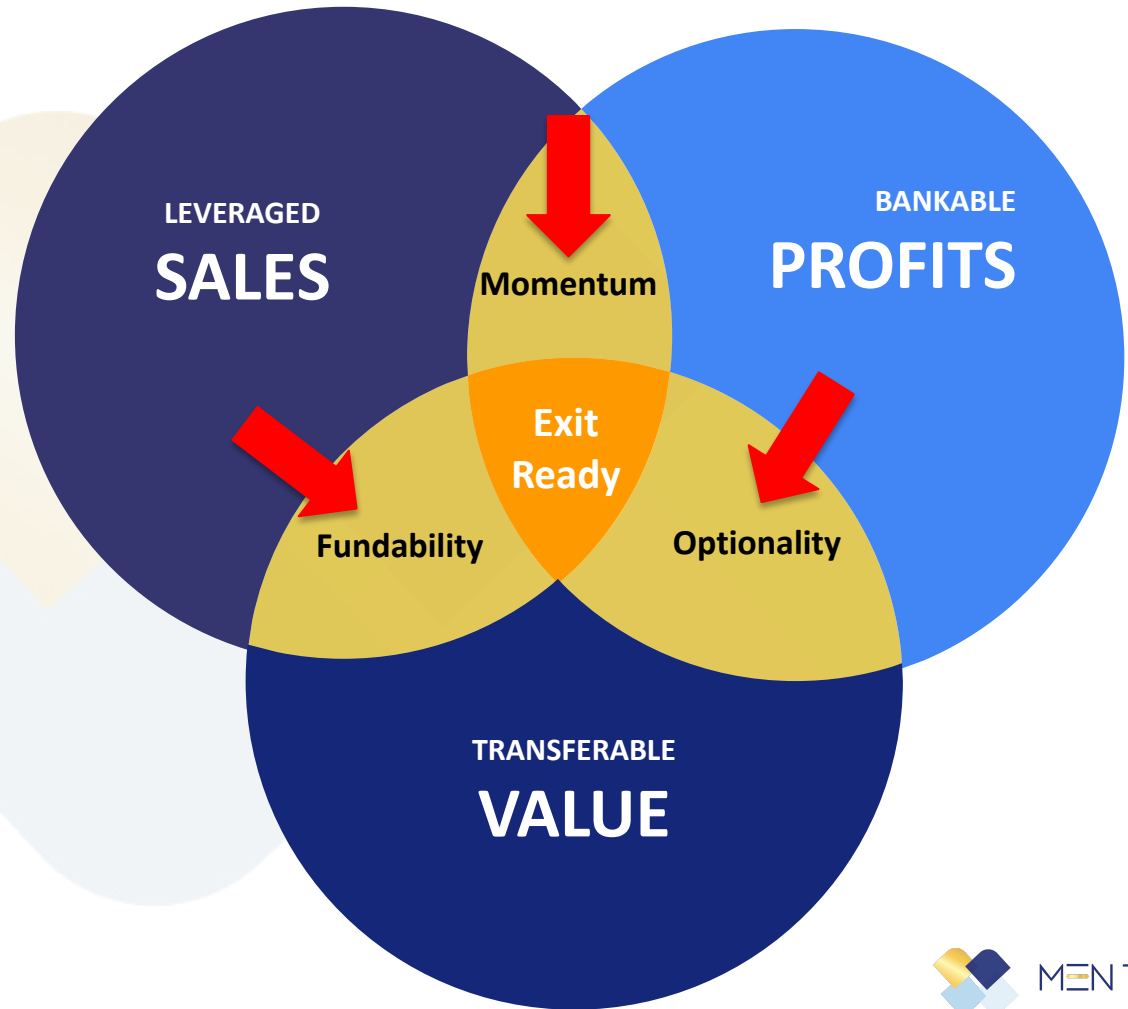
- **Competitive Advantage Over Competing Sellers**
- **More Buyer Interest**
- **Improve Financing Options (DSCR >1.75)**
- **Secure Future Profit Stream (Earn-out)**
- **Higher Sale Price**
- **Mitigate Risk With Terms For Seller & Buyer**
- **Tax Benefits**

3

Get Minimum Exit Number In Cash At Closing

- **Favorable Terms Ensures Minimum Exit Number In Cash**
- **Favorable Terms Ensures Quicker Sale**
- **Favorable Terms Allows Future Earn-out Profits**
- **Favorable Terms Warrants Growth Advisors Participation To Ensure Earn-out**

2-Stage
Acquisition
 $(S+P+V) =$
You Are
Exit-Ready
And Receive
Maximum
Asking Price



Let Us Show You One Way You Can
Get Double Your Asking Price

[Click Here](#)



Thank You

Have Additional Inquiries?

Call: (647) 749-6944

Email: support@mentureinc.com