

A scenic mountain landscape featuring a vibrant turquoise lake in the foreground, surrounded by dense evergreen trees. In the background, rugged mountains with patches of snow and misty valleys create a dramatic and serene atmosphere.

Northern Edge

Business Owner Insights

Company Sale Primer

Planning for a Sale: Five Things You Could Do Today

You may not be planning to sell your company for some time — but, of course, the factors informing this view are subject to change. Market conditions, the competitive landscape and your personal priorities are all dynamic; thus it is never too early to start thinking and planning for when the time is right. Here's what you can do today to make your business more attractive for a future sale.

Keep focused on growth: A growing and scalable business is more attractive than a static one, so don't "take your foot off the gas" when it comes to new strategic directions or opportunities. Run the business as if you weren't contemplating a transaction.

Reduce reliance on you: If you are an owner-manager, begin to transition your day-to-day responsibilities. Ideally, your role should be strategic oversight. Buyers strongly prefer a business that does not primarily rely on your direct involvement, especially if you are contemplating an exit in connection with a sale.

Prepare your books and records: Any potential buyer or investor will expect to review well-prepared financial information that accurately presents the financial condition of the business and indicates

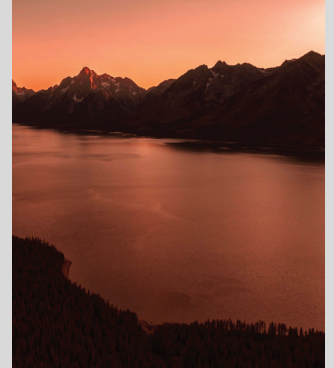
proper management controls are in place. Moreover, make sure all your key business documentation is readily accessible and up-to-date — this includes employment contracts, leases, shareholding certificates, supplier agreements and customer contracts.

Take care of those close to you: Tell your family, especially those members involved in the business, of your plans and solicit their input. Learn what they anticipate from an exit. Investment in candid discussions now will help avoid disagreement and misunderstanding later. What's more, making this external commitment increases your own mental readiness for a transaction.

Get mentally ready: And further to the above point, selling a business is one of the more challenging things you can do in life, requiring stamina, fortitude, and resilience. Focusing on these qualities helps build composure and perspective, which keeps the process on track — and the buyers at the table.



Top 5 Reasons Sellers Sell



— Ready to realize the financial rewards

— Eager to pursue other business interests

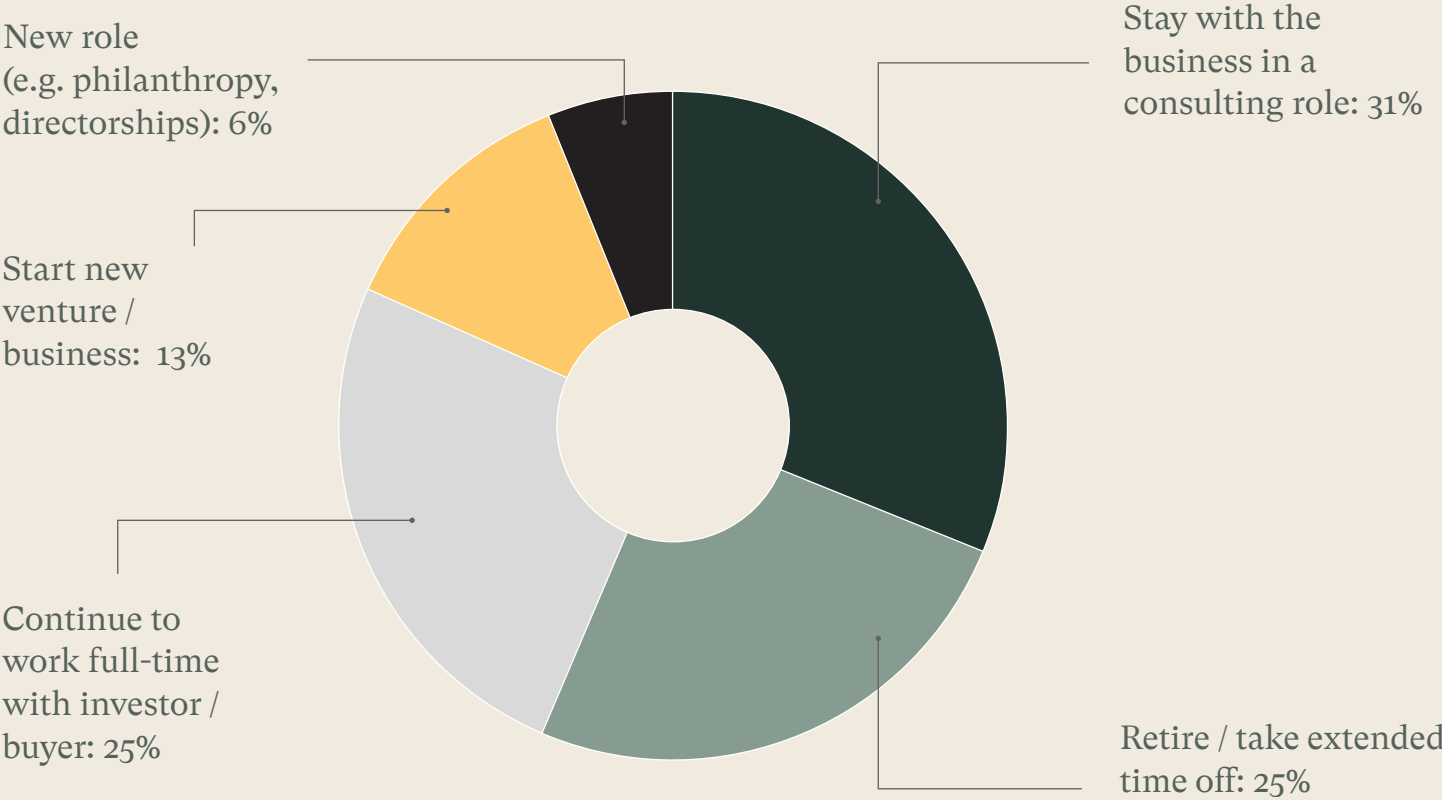
— Burned-out from ever-present pressures

— Retirement

— No family succession plan

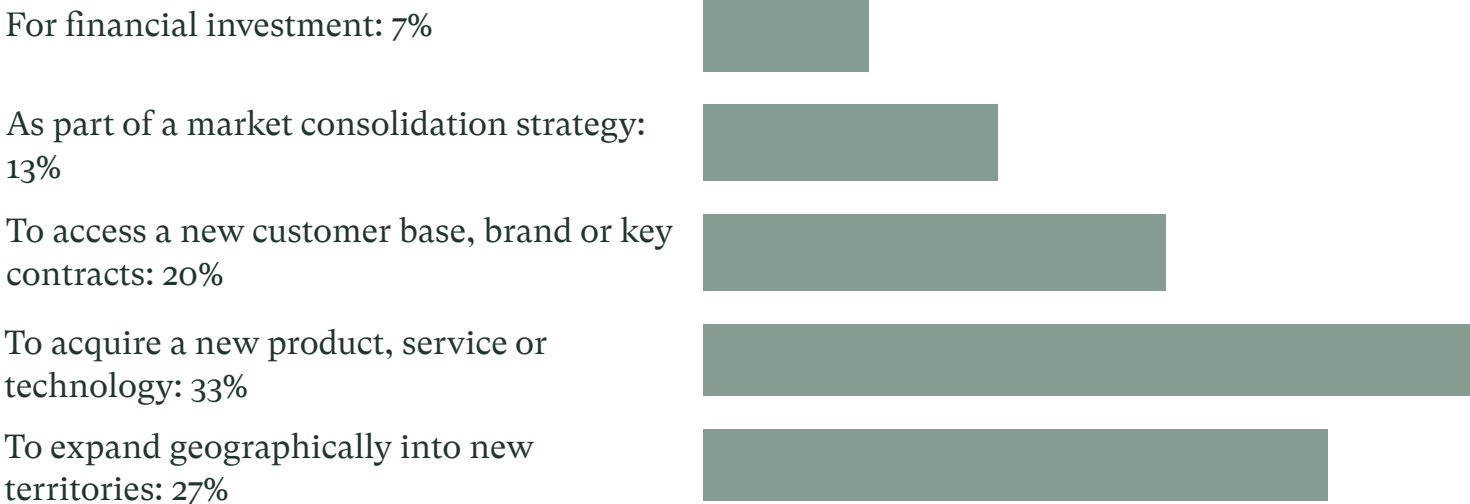


After the Deal: Top 5 Things Sellers Do Next



What Buyers Look for in a Business

In the middle market, there are a wide variety of motives for an acquisition. They include acquiring new products, technology, or management; accessing new customers; and geographic expansion into new regions or countries. Often, buyers are seeking to diversify, and view niche sector specialists as an ideal way to obtain a foothold in a new market.



Different types of buyers will have different motivations, but they all share the same underlying reason: growth. They are buying a business mostly based on its future potential, not its past performance.



Selected Completed Transactions: Offers and Motivations

The Northern Edge process involves structured interactions with a broad range of buyers with different motivations. Robust competition typically delivers an expanded range of offers.

Business Description	Lowest Offer Received	Highest Offer Received	Motive of Buyer
Dental management systems	\$3.5m	\$10m	Access to new product
Manufacturer of customized aluminum sand castings	\$6.2m	\$16m	Geographic expansion
Kitchen appliance distributor	\$9.2m	\$19.5m	Access to premium product range
Waste services	\$6.0m	\$12.6m	Growth acquisition strategy
IT Development Integration	\$10m	\$28.2m	Access to new technology and intellectual property



Frequently Asked Questions

Will my business be attractive to buyers?

We have evaluated hundreds of private businesses and in our frequent discussions with business owners we note that many underestimate the inherent value of their company. Many are too focused on addressing the immediate priorities required to operate the business to appreciate its strategic appeal as an acquisition target.

There are many reasons buyers pursue an acquisition. In addition to buying earnings, gaining access to your customers, intellectual property, contracts and recurring revenue, management team, brand, products, vendor relationships, reputation in the market, workforce, raw materials, among others, are all possible motivations for buyers to pursue a transaction.

Moreover, if your business is profitable, is well-managed, has a defensible market position and if you can articulate the opportunity in the market for growth, in our experience, it will receive attention from potential buyers.

What will happen to my employees when I sell?

A key consideration for many business owners is securing not only the best future for their company, but also for their employees, many of whom have been loyal

and valuable contributors to the success of the business. In addition, many of our clients are interested in recognizing the historical contributions of their long-serving employees as part of a transaction.

As a general matter, highly skilled and motivated employees remain an attractive asset, so it is typically not in the buyer's interest to acquire your business and promptly terminate experienced employees to cut costs. Buyers understand that your workforce has been instrumental in making the company successful, and that your employees will have unique knowledge and relationships and could play an important role in its future growth. Northern Edge has extensive experience assisting our clients' to find a buyer that will provide ongoing career opportunities to employees and protect compensation levels, and will assist in negotiating the relevant provisions in the transaction agreement. Moreover, we will advise you on a communication strategy for explaining the sale process to employees, at the right time.

Who is the best buyer for my business?

This, of course, is dependent on many factors, including your industry, your position in, and size of, your market and the geography in which the business operates.



Frequently Asked Questions

The conventional wisdom, especially among industry-focused advisors, is to seek an adjacent competitor who overlaps in product offerings and has similar customers. However, our experience tells us that the best buyers are often complementary businesses – not direct competitors – and may not even operate in your region. Approximately 30% of all Northern Edge clients are sold to an international buyer.

The best buyer for your business might be motivated to:

- Supplement their organic growth due to external pressures to achieve certain targets
- Realize revenue synergies by cross selling your products to their clients and vice versa
- Realize cost synergies through economies of scale in areas such as purchasing or rationalization of occupancy expenses
- Diversify into new markets or complimentary products or services
- Access skilled labor and management, especially in a tight labor market
- Accelerate your growth potential, which may have been constrained by capital and management bandwidth limitations.

I have already been approached by a buyer. What do I do now?

This is not an unusual situation; we see this fairly often. Nonetheless, an expression of interest or unsolicited offer for the company can take an owner by surprise. Unfortunately, direct negotiations between principals almost inevitably serve the buyer at the seller's expense. In most cases, buyers simply have more experience with acquisitions and recognize that it is far better to evaluate the potential transaction without the threat of competition.

For these reasons, buyers sometimes approach sellers in a way that may feel much more targeted than it actually is—in other words, it may seem like they are fishing with a hook, but they are really fishing with a net, and their modus operandi is to profess strong interest, propose high level – but non-binding – terms based on limited information and then walk back their initial proposal once more information is shared and the seller is more invested in the transaction.

Even if you believe you have been approached by the “right” buyer for your business, because of the extreme experience imbalance, the answer is to always seek professional advice.



Frequently Asked Questions

This will provide you an intermediary to deal with the adversarial elements of a transaction while you maintain a cordial relationship. It will also level the playing field, protecting you from a variety of potential pitfalls beginning with what information is appropriate to share with the suitor and when, and identifying information that may adversely affect value and how to address this before sharing.

Attention from a larger player in your industry or a private equity group can be flattering, so it is helpful to take a step back for a moment and consider whether interest from one party might indicate your business is desirable to other parties as well. Quite simply, with millions of dollars at stake, what is the probability the first suitor to approach you will ultimately pay even their own theoretical maximum price when they know they are alone in discussing a transaction with you. Would you?

Northern Edge is often engaged in these situations with a mandate to assess the credibility and attractiveness of the unsolicited interest and, if warranted, begin negotiations with this potential buyer, while exploring other options simultaneously.

How long will it take to sell my business?

Selling a business is a time-intensive process, which is not completely in the control of the seller. More often than not, the main factor affecting the timetable is the ability of the seller to timely and thoroughly respond to the extensive due diligence requests of the buyer.

In any case, an experienced advisor will manage the process and drive all parties to complete the transaction on an expedient schedule, which tends to fall within a 6 – 12 month timeframe.

In particular, we advise our clients to prepare in advance for the inevitable information requests the buyers will submit, which focus on business, financial, tax, HR, IT and legal aspects of the company. The ability to promptly provide credible and accurate responses will help avoid delays in the process and contribute to buyer confidence in the value of your business.



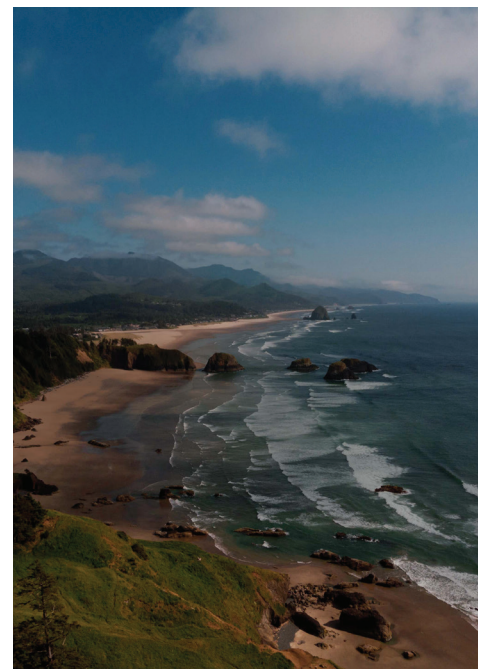
Frequently Asked Questions

Why should I start planning now?

Thoughtful preparation, manifested by the prompt provision of accurate and complete information to a potential buyer, is a distinguishing factor in any successful sale transaction. The better prepared you are for the intensive scrutiny of potential buyers in terms of the state of your accounting records, financial statements, internal systems and controls, tax records (including sales tax), and employment records, the greater the confidence you will engender among buyers regarding the management and scalability of the business, which should deliver a higher valuation and a smoother process.

For clients who are not ready to sell now but have a future timeframe in mind, which may correlate to the achievement of milestones or planned retirement, there is still a benefit to working with Northern Edge to intentionally prepare the Company by working on:

- Organizing and reviewing due diligence information of the company, including financial and operational data
- Developing a narrative describing the company's unique selling points and what initiatives can be undertaken to strengthen these points
- Reviewing financial statements in order to understand the basis of presentation, accounting policies, and adjustments that should be made thereto
- Assisting in the preparation of financial projections and a business plan to be shared with potential buyers
- Reviewing and addressing potential issues, such as customer or supplier concentration, financial ratios below industry benchmarks, historical underperformance, management vacancies, litigation exposure, etc.
- Analyzing categories of potential buyers, as well as developing an initial buyer list
- Providing periodic M&A market insights and intelligence on competitors.



The Seller's Perspective

**What's the one piece of advice Northern Edge clients would give you?
Some successful sellers share the benefit of their experiences...**

Straighten out your financials

“It was a lot of work to pull it together. We had to get an accountant in to get our books in order, but my partner and I did it step by step. I think Northern Edge made the process easy.”

Sandy Wilks Rintoul, Wilks Enterprise

Choice is everything

“I thought I had found my purchaser. I approached Northern Edge because I understood well enough that you never negotiate your own deal even with the most ‘enthusiastic’ of buyers. They folded at the first whiff of competition, and we went forward with a very exciting Northern Edge marketing program. Northern Edge contacted hundreds of potential suitors and I found myself in meetings with nearly a dozen companies. In each instance, it was clear what brought the interested party to the table and what benefit PPS could bring their organization. I have no doubt that Northern Edge delivered the best price and terms for my business, well surpassing my expectations.”

Jon Seelander, Precision Pipeline Solutions, LLC (“PPS”)

Be patient

“Let the process work. You can get fidgety at times, and it's difficult to sell something that's an ongoing entity. Conflicts are endless so its important to stay patient till the end. [Our Northern Edge deal leader] was always available and that was key and we felt valued with it. It's always a journey.”

Jim Kaitz, Association of Financial Professionals

Seek professional advice

“I thought of typical valuation models, of EBITDA with multiples, but I couldn't work out how you value the industry relationships we have, or the knowledge of our personnel. That's when I knew I needed an advisor...”

Tyson Johnson, Parks Johnson Agency

Sell the future

“As an owner trying to achieve an attractive multiple for your business, it is extremely important to cast that vision of greatness and make it concrete, make it tangible.”

Bart Garvin, Garvin Industries, Inc.



Discuss your business, its potential suitability for a sale transaction and the options available to you at an individual consultation with a senior Northern Edge investment banker.

You'll be able to discuss your position in complete confidence, and meetings can be arranged at a time and location convenient to you.

To schedule, visit www.northernedgeadvisors.com or call 877.592.EDGE.

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