



Selling Your Business

Secrets from the Other Side: A Buyer's Perspective

MARK BRODKIN, MANAGING DIRECTOR & HEAD, ROYNAT EQUITY PARTNERS

Agenda

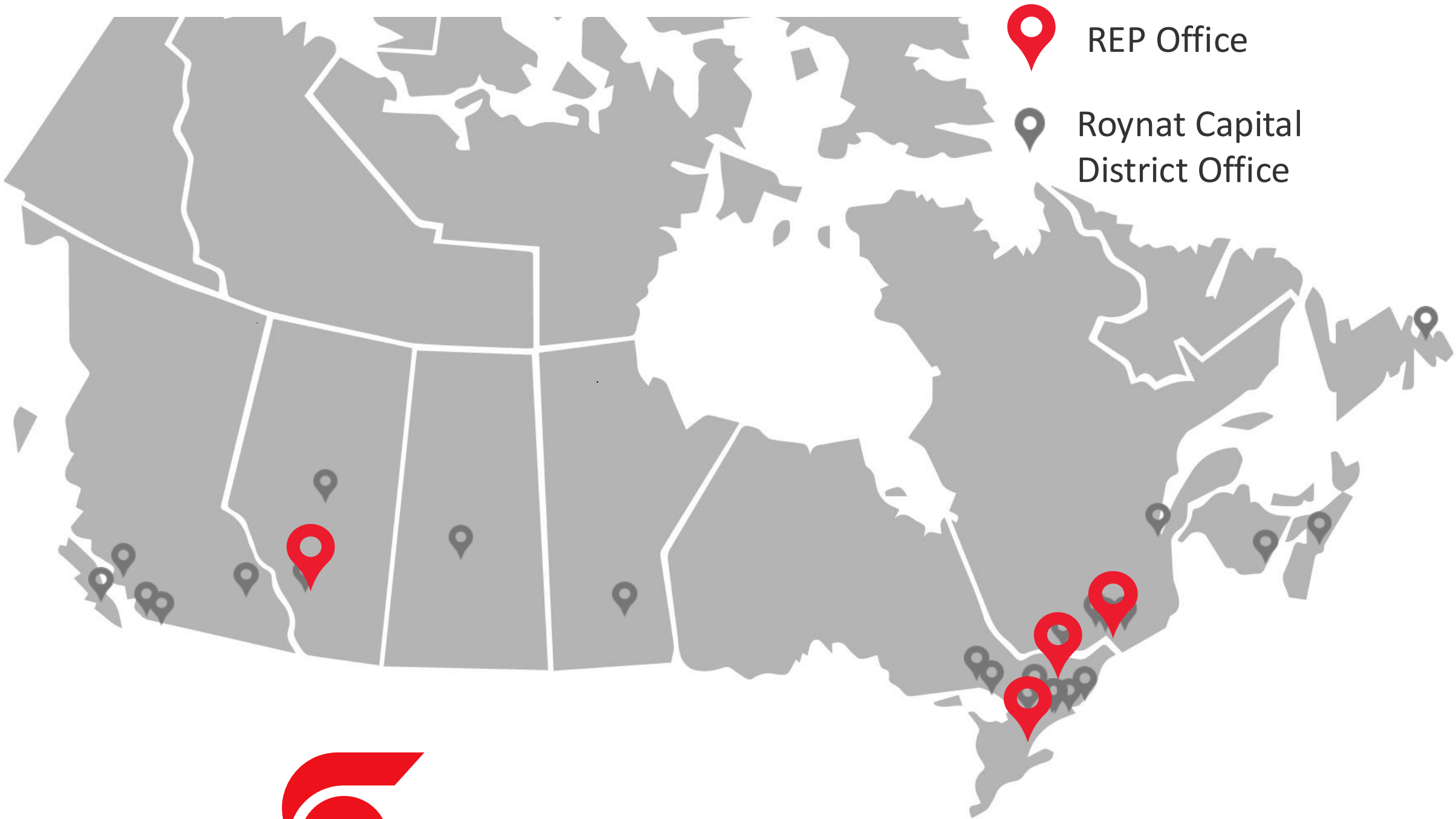
**Business
Transitions
Forum**

Winnipeg 2024

1. Challenges Faced by the Buyer
2. Keys to Closing a Transaction
3. Pitfalls to Avoid

Roynat Capital

BOOTS ON THE GROUND FROM COAST TO COAST



REP Office
Roynat Capital District Office

Roynat Equity Partners (“REP”)

- Supportive but non-disruptive equity partner to mid-market companies for over 60 years
- Backed by Roynat Capital’s 25 District Offices and over 200 Employees



A Scotiabank Company

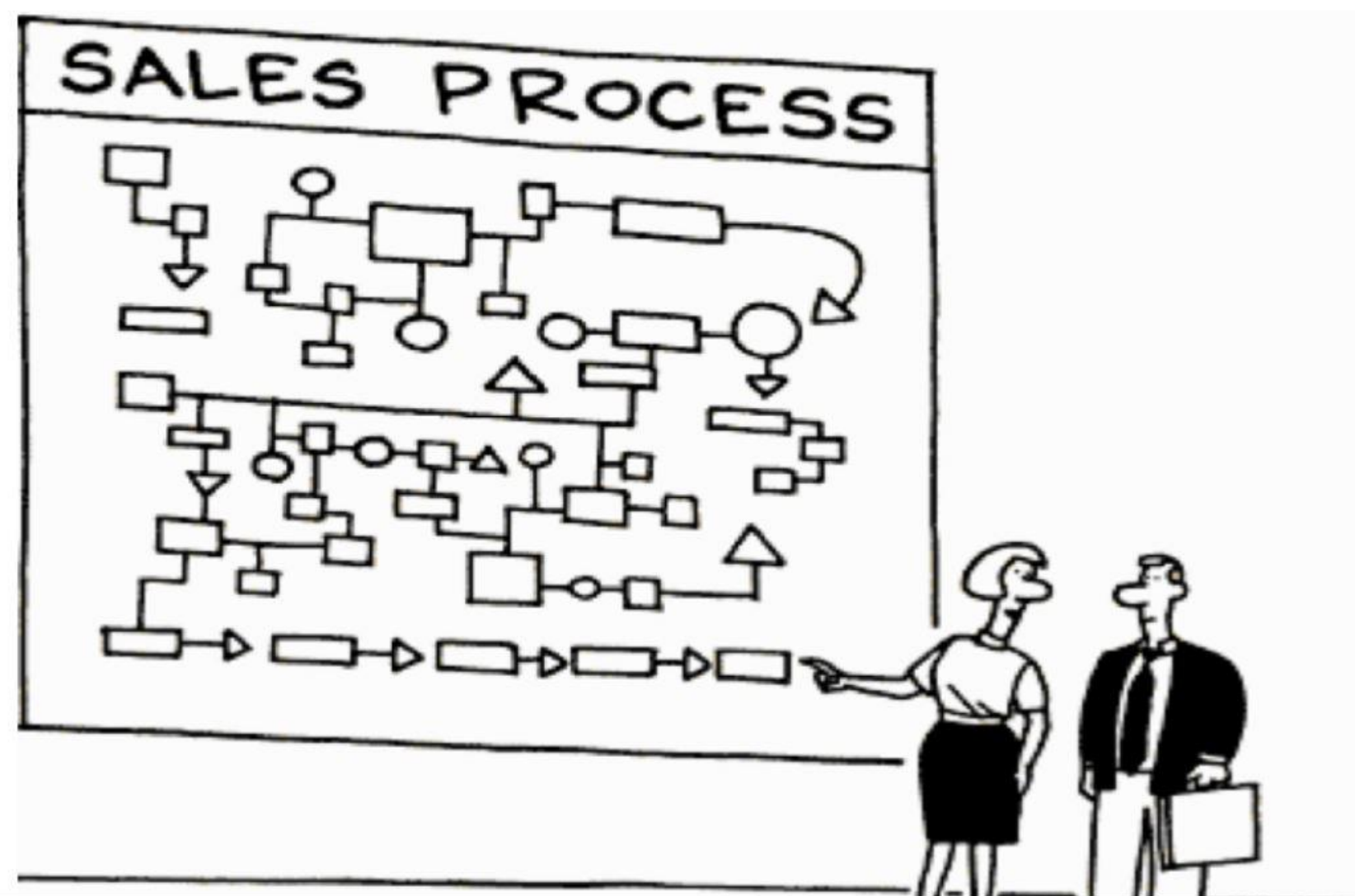


Mark Brodtkin
Managing Director & Head
Roynat Equity Partners

Challenges Faced by the Buyer

IT'S REALLY HARD...

- Utilizing historic information to predict the future



...AND IT'S NEVER BEEN HARDER



Seller Has All The Advantages

BUYERS INHERENTLY DISADVANTAGED AT BEGINNING OF PROCESS

- Seller is providing all of the information to the buyer
- Buyer is quickly getting up to speed on the business and industry in a couple months vs. the seller's decades of experience
- Seller knows where the skeletons are...



What Concerns a Buyer?

PREPARING FOR A SALES PROCESS

- Management bench strength
- Customer & supplier concentration
- Pricing for key contracts
- Access to information (accounting & IT systems)



Due Diligence

WHAT ARE WE REALLY LOOKING FOR?

- We are going to ask a million questions, and we do want good answers...

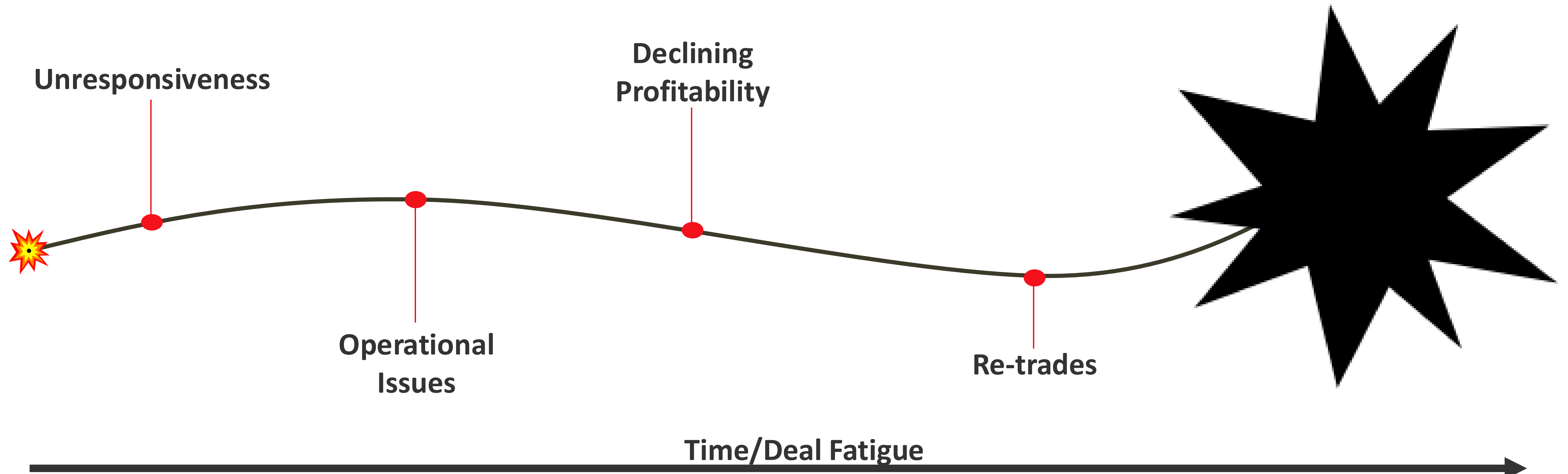
However...

- The way the answers are delivered can be more important than the information:
 - Who is answering the questions?
 - Timeliness of responses and quality of data.
 - Am I going to like working with you?
 - Can we trust you?



“Time Kills All Deals”

WHAT CAN CAUSE YOUR DEAL TO CRATER?



The Magic Questions

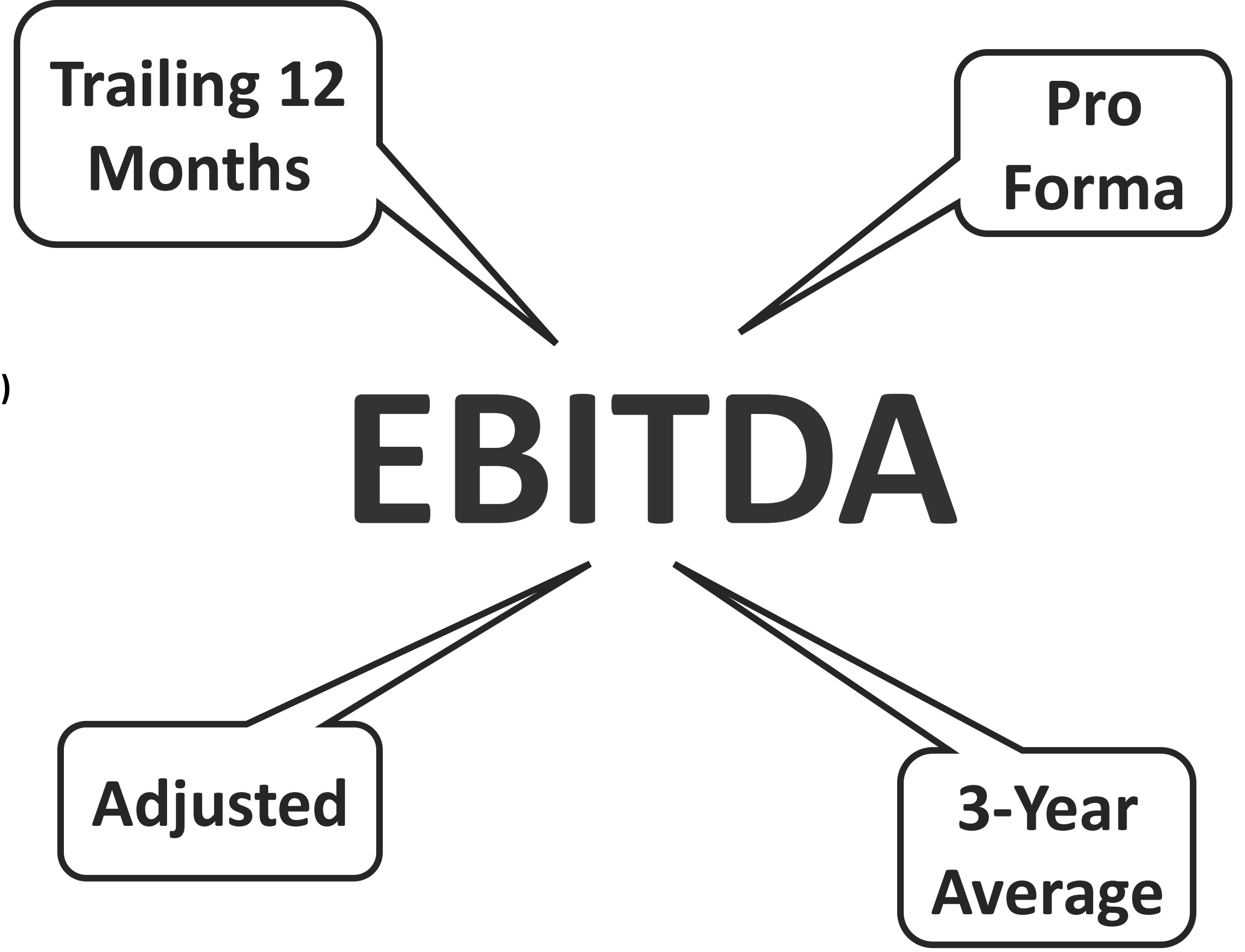
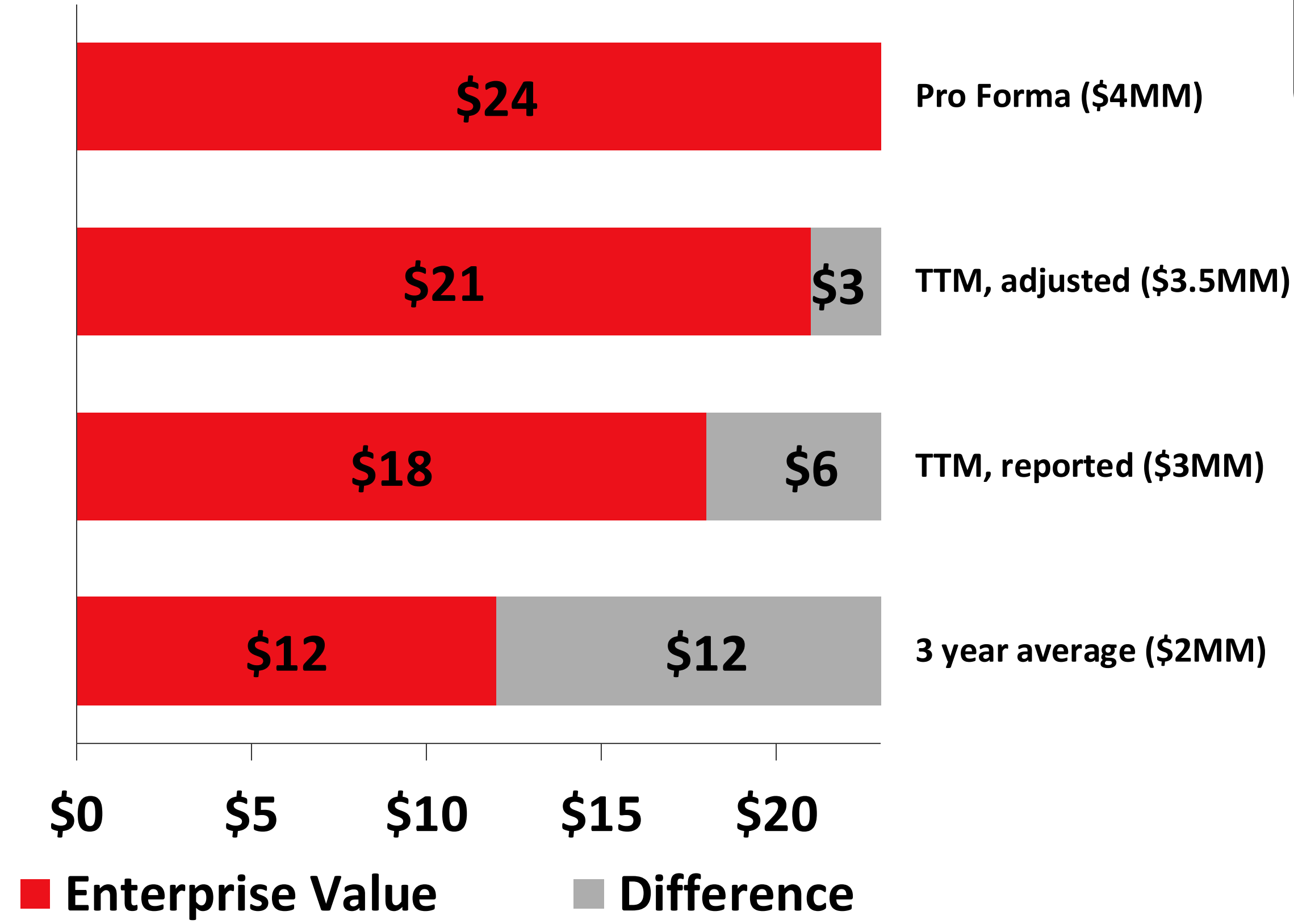
Why are you selling?

Does it matter?

Who can I trust?

EBITDA Multiple of What?

EBITDA Impact on Valuation at 6.0x (\$MMs)



Don't Forget About the Peg...

WORKING CAPITAL IS THE LIFEBLOOD OF A BUSINESS

- What is a Working Capital Peg?

Target level of working capital to remain in the business that is required to run operations



How to Pick a Buyer

STRATEGIC VS. FINANCIAL BUYERS



MAGIC QUESTION: HOW DO YOU MAKE MONEY?

How to Pick Professionals

NOT ALL ADVICE IS EQUAL

- Your legacy accountant/lawyer may not have the right skillset
- Look for expertise and knowledge in your business and a deal environment
- Prepare your advisors in advance so they have ammo to support you
- Ensure all advisors interests are aligned with yours

WHERE TO SEEK ADVICE

- M&A Lawyers
- M&A Advisor
- CPA (Tax & Accounting)
- Wealth Manager
- Fellow Entrepreneurs

Final Thoughts

Be Guided: Establish a board of Advisors

Be Honest: Build trust early in the process

Be Humble: Emphasize the work of your team

Questions

