

Selling or Acquiring Business?

Understand Your M&A Potential, Avoid Pitfalls & Maximize Outcomes

All businesses strive to grow, expand and gain a competitive advantage. While success can happen organically, Mergers and Acquisitions drive the greatest growth among middle market companies.

Many times, it will be a turning point in a company's life, such as the transfer of ownership of a family business. Other times, M&A are critical to a company's growth strategy.

Buyers look to drive growth by acquiring market share, expanding geographic reach, increasing industry expertise or investing in capabilities, technology, talent and new assets.

Seller rationale can be tied to wealth maximization or a need to monetize business, as well as the desire to sell off ancillary divisions to focus on core business units.

The intention is unique to every organization, but it is based on the idea of creating more value and synergy — which has become a commonplace strategy today.

Companies that take advantage of M&A opportunities will turn to investment banks and M&A advisors to mitigate new layers of complexity inherent in today's highly competitive landscape. **The stakes are simply too great across all industries.**

How Can Business Owners Prepare?

What Are Your Trying to Accomplish?



Selling a Business?

Expert sell-side M&A advisory to support divestitures or business owners looking for an exit



Working to Acquire Business?

Trusted advisory for buy-side mandates across business segments, favorable terms and maximum synergies



Trying to Secure Growth capital?

Proven debt advisory and effective strategies to secure growth equity for expansion or liquidity



In Need of Strategic Advisory?

Creating competitive advantages for clients through unbiased, sound and objective advice with flawless execution

Auctus Capital Partners is a leading financial services firm focused exclusively on creating value for the middle market.

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Five Common Reasons Businesses Merge With or Acquire Other Companies:

1. Creating Synergy: Synergy is a frequently used term in the world of M&A, referring to the idea that two heads are better than one. So, a business will acquire or merge with another business that has complementary strengths and weaknesses, whereby performance and cost control can be increased.

2. Support Expansion & Growth: Companies earn market share over time, but it can also be acquired as an intended by-product of many M&A deals — such as a horizontal merger. This also helps expand geographic reach, increase industry expertise or invest in capabilities, technology, talent and new assets.

3. Eliminate Competition: Companies seeking to sharpen focus often merge with companies that have deeper market penetration in a key area of operations. So many M&A transactions allow the acquirer to eliminate its competition within the market or product category.

4. Helping Diversify: Companies will merge or acquire a business in an outwardly unrelated industry to help manage risk and reduce the impact of a particular industry's performance on profitability.

5. Enhance Supply-Chain: Businesses that work with many suppliers or distributors will participate in a buyout, acquiring one of their providers of materials or a distributor to help eliminate costs, such as supplier margins or shipping costs.

Every year, almost a quarter of all middle market companies acquire all or part of a business and about one in twenty sell (or divest all or part of) their organizations. In total, M&A transactions make up more than US \$3 trillion globally in 2018, with \$2 trillion worth of deal struck in the first half of 2019, and next year is poised for growth — with new synergies and hundreds of billions in investment capital.

Auctus Capital Partners exists to help businesses identify opportunities and navigate their way through M&A transactions to achieve favorable outcomes, maximize value and create steady growth. As a leading financial advisory firm, we provide informed and insightful counsel and position companies to create a highly competitive process among the global universe of strategic and financial investors.

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A reality for many lower middle market companies is that they will eventually buy or sell business. In fact, middle market executives on the buy-side expect a quarter of their growth to be driven by M&A. Whether deals are driven by ambition or necessity, careful planning and support from M&A advisors and investment banks undoubtedly ensure the best outcome with fewer obstacles.

Investment banks play a major role in completing M&A deals, performing a variety of tasks to lead successful growth and exit for businesses.

Critical support includes identifying targets, analyzing financial situations and evaluating potential synergies between two parties to accurately project financial results of a deal, and acting as an intermediary to facilitate reorganizations. M&A firms conduct due diligence and valuations, handle all documentation, meetings, negotiation terms, and closing paperwork — and top advisor will continue to serve clients in the long-term.

Regardless of the deal — if you're the company being acquired or the one doing the expansion — it's the investment bank's job to ensure that you walk away from the deal fully satisfied.

Preparing to Sell Your Business?

Among middle market owners that intend to sell their business, nearly half plan to do so within a period of five years — but a large majority (75 percent) believe they can sell inside of 12 months without taking necessary steps to prepare.

This is a common misconception: the assumption that a possible, far off sale of the business requires no immediate attention.

The truth is, a successful exit takes years of preparation. Even if a sale doesn't take place for five years, or even 10 years, there is much that can be done now to increase the value and attractiveness of the business, while also preparing the owner for an ultimately successful transaction. **If a sale never happens — should the owner change their mind, for example — the company still comes out ahead for having built a more sustainable and profitable business.**

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Here are critical things owners contemplating a future sale of their company should consider and act on now:

01

Understand company valuation: Even years ahead of a potential sale, it is important to have a realistic idea about your company's value. This affects planning, and ultimately your financial well-being. While owners can be influenced by stories about friends who sold their companies at astronomical multiples, it's important to not overestimate. Ultimately, a company is only worth what someone will actually pay. It can vary based on the condition of the business and the industry it operates in; supported by its ability to generate sales, cash flow and/or profits, as well as the value of assets.

02

Know the drivers of value: If you have a realistic sense of company value, the next thing is answering this question: what are the value drivers in your company? Knowing that answer allows you to focus time and energy on improving value drivers that are deficient, and to nurture and protect those that are performing well. It is also important to consider what elements of the business will best motivate the buyer. A seller who is seeking a financial buyer might focus on increasing profitability, whereas a seller who wants to attract a strategic buyer might focus on enhancing the brand and market share.

03

Reducing owner dependence and building the team: Often easier said than done, building a company structure that depends less on the owner and more on the team is an important item on the "to-do" list for those even contemplating future sale. This is a task best started sooner rather than later because it also provides protection in the event of unforeseen illness or even death. Having a strong management team in place can also make the business more attractive to future buyers and will help ensure a smooth transition after the sale.

04

Professionalize company processes: Many successful small businesses can get away with ad-hoc, informal processes and systems, but these will detract from company value when the day comes to sell. Improved documentation, operating controls and governance go a long way to allowing a company to look better to potential buyers. Central to this is an accurate, timely accounting of historical information and use of forecasts and budgets to guide future performance.

05

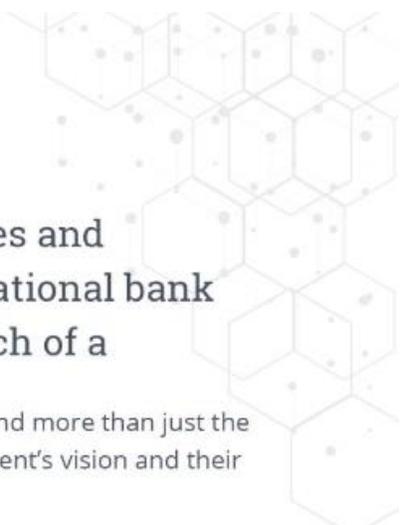
Understand quality of earnings: Looking at your company the way a potential buyer will helps you understand how best to maximize personal wealth when it comes times to sell. Remember, offers are developed using specific formulas that take into account assets, earnings, industry, and any debt or losses. Regardless of the equation used, the "E" (earnings) is an objective determination — so eventual money in your pocket is often a function of earnings times a multiple. The multiple is a subjective one, usually based on the potential buyer's assessment of the quality of your company's earnings. Simply put, improving that quality will help drive superior valuations, but it takes time.

06

Turn to the experts: Exit is a reality for all business owners. Whether it's decades from now or years away, driven by ambition or necessity, careful planning and support from investment banks undoubtedly ensure the best results with fewer obstacles.

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Auctus Capital Partners offers the advanced capabilities and expertise that of an investment arm of a larger, multinational bank with the high-level attention and collaborative approach of a boutique firm.

The best advisory firms understand more than just the numbers, they understand the client's vision and their role in making it real.

Auctus Capital Partners a leading multi-faced investment bank that supports clients with full-service offering – opposed to just on piece of the puzzle – to help manage the complexities inherent in M&A and private placement transactions.

Led by senior bankers who have spent their careers developing deep professional relationships and building specific knowledge of the companies, trends and insights relevant to the firm's 15 industry-specific areas of focus, Auctus' network of integrated professionals provide the best strategic advice and access to the right buyers, lenders and investors.

By tailoring each sales process to the specific needs of an individual client, Auctus embraces a philosophy of flawless execution that ultimately delivers superior valuation, terms and certainty to close.

Consistent and superior outcomes demonstrate the quality of Auctus Capital Partners' transaction process... the extent of our senior banker involvement... the value of industry experience and relationships... and importance of understanding industry drivers.

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