



Architecture-Engineering-Construction

**MERGERS & ACQUISITIONS
REDEFINED**



What is Unique About E|Engenuity?

The company is a boutique specialty M & A firm:

- We evolved from decades of designing, executing and managing comprehensive corporate growth programs primarily in the AEC sector
- 40 years assembling companies by both acquisition and organic growth crossing all facets of Mergers & Acquisitions
- Unique Fee Structure
- Not a listing mill, but take on only a few special clients each year resulting in unparalleled focus and personal attention
- Track record of several ultra fast growth companies the principals have built over the years with awards for growth and entrepreneurship.
- Company is known for its creative deal structuring at highest possible price for a win-win for both buyer and seller. We are AEC specialists, not broad market generalists.

Sell Side The Sell Team

Selling a company is not the same as selling a house or a car. The process is much more complex with numerous moving parts. The best sale/transition under the best price and best terms will occur when the seller understands that it is a team of professionals working together to achieve that result.

The team, depending on the complexity of the transaction, is made up of:

- An M & A attorney
- Your accounting & tax firm
- Seller representative
- Your M & A transaction advisory firm

Sell Side Components

E|Engenuity provides a comprehensive 16 component program beginning with preparing the company for market and not ending until the parties are well underway through the post closing transition.

This thorough process ensures the best transaction for both the buyer and seller with a bright future ahead.



Sell Side Pre-Valuation

EE offers a complete Opinion of Market Value for prospective sellers at no charge. It is part of the overall marketing budget

Valuation results in a range of expected offers

EE provides a questionnaire with a list of data it needs to run the valuation

The EE model is the result of 40 years of tweaking and refinement

Historically it falls within 15% of the final purchase price

Deliverable is a written report to the potential seller

Sell Side Engagement with Client

EE, if requested, provides its standard (or custom) Sell Side Engagement Agreement to Client for review and execution. Elements of the agreement are:

- Definition of terms
- Scope of work
- Fees and how they are calculated
- Payment Schedule
- Termination provision
- Standard boiler plate
- Indemnification
- Signature section

Sell Side Business Readiness Evaluation (BRE)

95% of businesses are not ready for the market. It must be adjusted, polished and dressed up as one would do before placing their house or car on the market. A dirty company will not garner the highest price or terms, but a cleaned up one will. Key clean up items are:

- Financial presentation format of Income Statements/BS
- Reclassification review of expense items
- Conversion – Cash to Accrual based accounting
- Out of range ratios that need adjusting
- Adjust internal production management & systems
- Develop the story to explain red flag items
- Physical Plant clean up
- Preparing the Seller for the journey- What to expect

Sell Side Financial Documents Organization

Sophisticated, experienced buyers expect a certain presentation format. The BRE will identify this if present. The financial statements must be organized and “recast” with generally the following:

- 3–5 years of end of year income statements and balance sheets in accrual format
- YTD from most recent quarter of income statement and current balance sheet
- Matrix of Top 10 clients and revenue from each for the 3–5-year period
- AR Aging report
- WIP Schedule
- Standardization of presentation of metric across the 3–5 years Excel
- Financial Statements recast

Sell Side

Recasting the Financial Statements

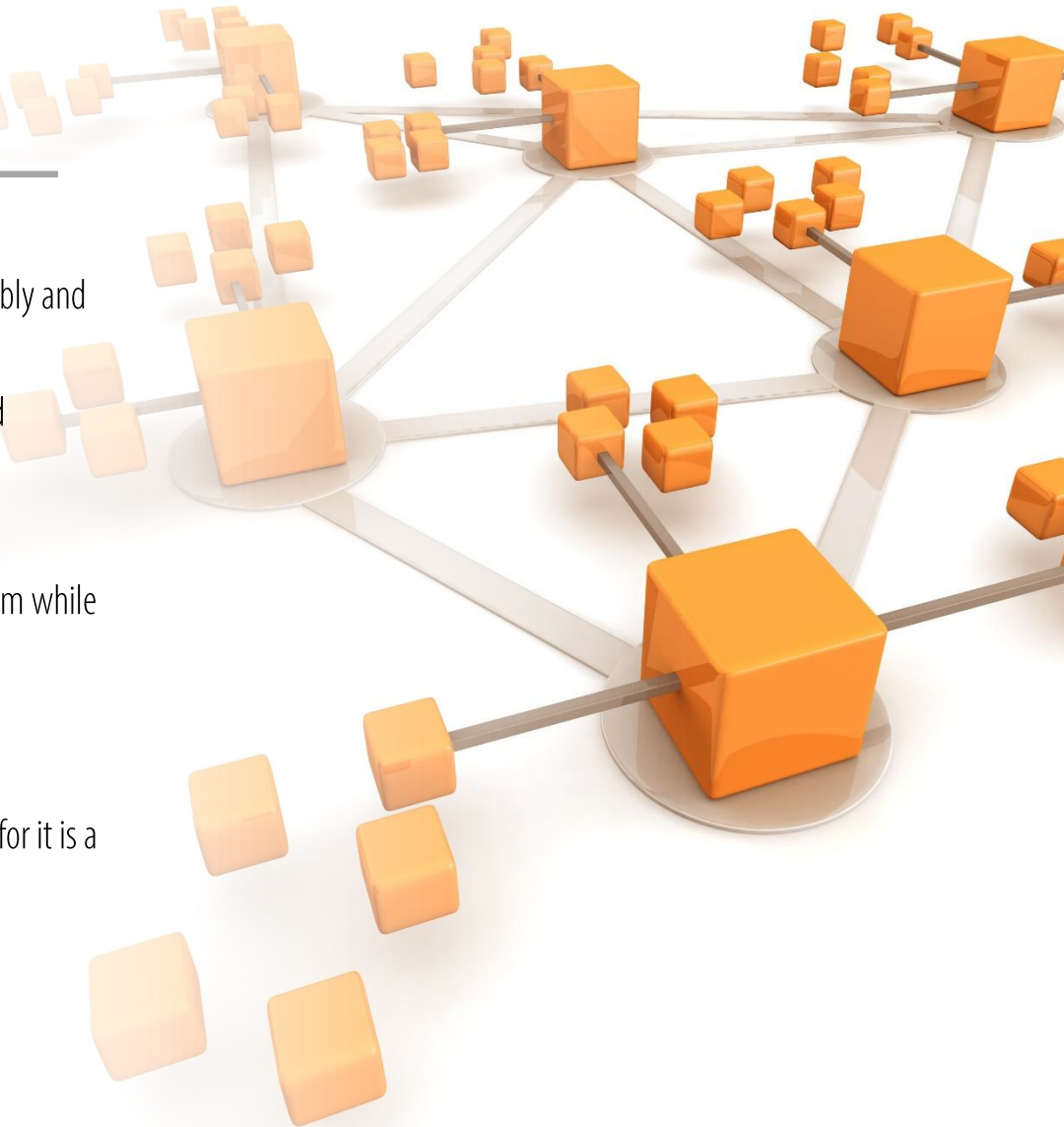
Reconstruction of summary financial statements to represent free cash flow reconstructed with various “add back” items:

- GAAP Add backs. . . .
- Depreciation
- Interest expense
- Amortization
- Certain tax expense
- Non-GAAP Add backs. . . .
- Personal Expenses
- Dealing with bonuses and incentive programs
- Non-Recurring or partially recurring expenses
- Gratuitous expenses
- Results in Normalized EBITDA

Sell Side Due Diligence Data Organization

Unlike other M & A firms, EE front loads the gathering, assembly and organization of due diligence data in

- Standardized Data Room / Data Tree structure in the cloud
- Comprehensive overkill Master documents and questions checklist
- Seller's rep produces and uploads the data to the data room while the marketing program preparation is underway.
- This approach saves a lot of pre and post LOI disorganized scramble
- Buyers like it and impressing the buyer is very important for it is a reflection on the quality of the company EE is advising



Sell Side

Marketing the Opportunity-Prep

Numerous components of the marketing preparation:

- Gathering and organization of photos that represent the company/industry
- Developing the Executive Summary (Teaser)
- Preparation of the NDA
- Setting up landing page on website for teaser, NDA and Buyer Profile
- Develop summary charts for Teaser and CIM
- Produce the teaser from EE template
- Produce the Confidential Information Memorandum (CIM)
- Teaser and CIM approval by client
- Place announcement in Axial, BBS and others when applicable

Sell Side Marketing the Opportunity-Execution

Depending on the marketing plan includes the following:

- Target Buyer extensive research to develop invitation long & short list
- Decide on target types and messages for each:
 - Financial buyer
 - Strategic buyer
 - Owner — Operator buyer
- Use of email, paper mail, text and phone calls to announce opportunity
- Respond with process letter
- Record buyer data in marketing log
- Screening out the tire kickers
- Post NDA initial package
- Pre LOI-Supplemental Data Pack



Sell Side Pre LOI-Activities

Depending on the marketing response for Phase I

- Screening out the tire kickers
- Post NDA initial data package/information
- Granting Access to limited data room
- Pre LOI-Supplemental Data Pack
- Discussing price with potential buyer
- Financial Buyers vs Strategic or O/O buyers in Pre LOI DD
- Call for IOI (Indication of Interest)
- Post IOI Negotiations
- Call for LOI
- Call for B & F (Best and Final)

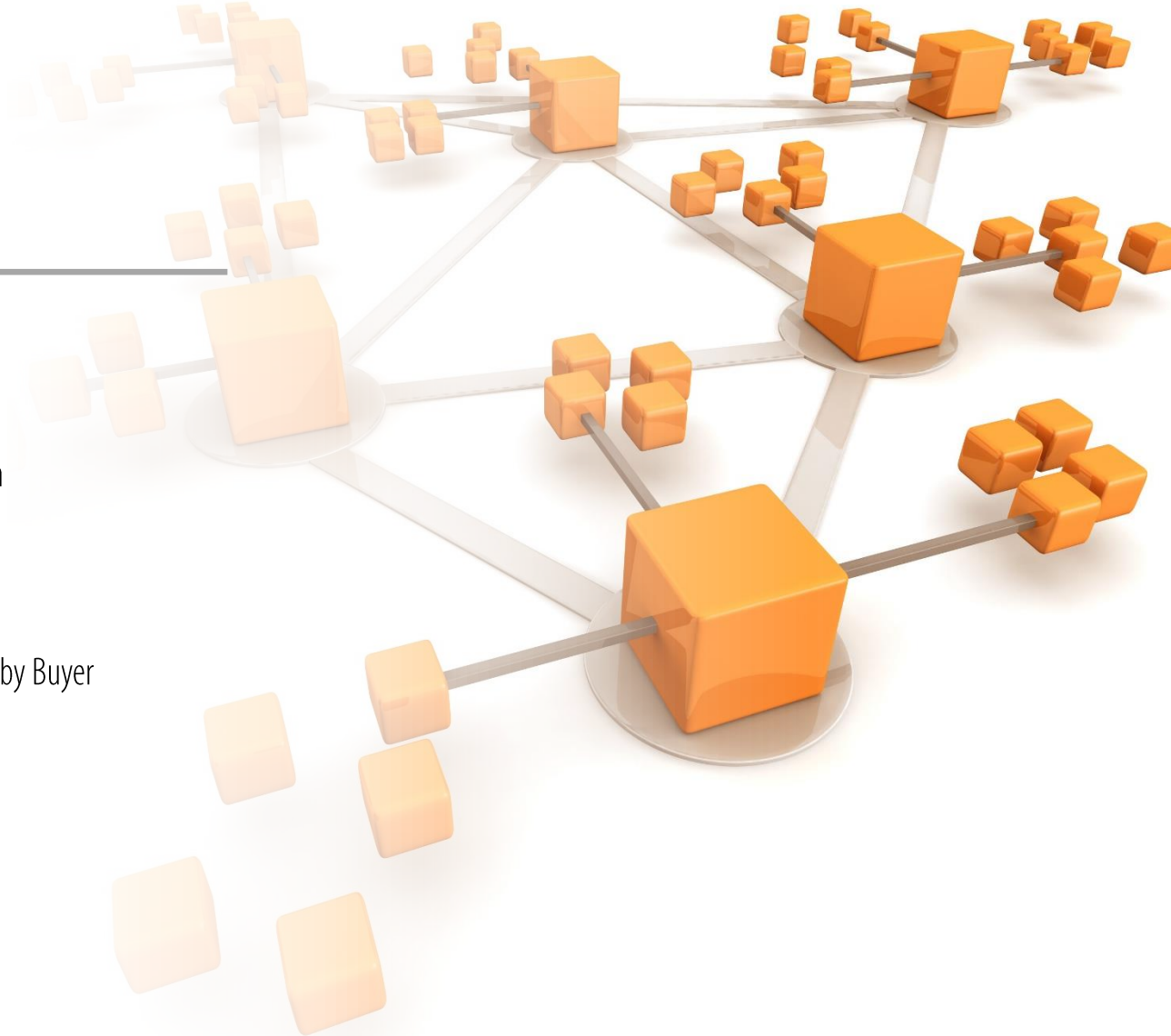
Sell Side

The Letter of Intent (LOI)

- Types of LOIs
- What it is and what it is not
- Elements of the LOI
- Proof of Funding
- The Auction- standardizing the various offers
- Presentation and recommendations to client
- The Lock Up period
- EE template and offer to draft

Sell Side Post LOI Due Diligence

- Expanded Data Room Access
- The buyer and EE checklists overlap
- Non uploadable materials for inspection
- Accounting firm involvement
- Coordinating the information flow
- The Q of E (Quality of Earnings Review) by Buyer
- Pricing Adjustments
- 30-60 days usually



Sell Side Definitive Closing Documents

- Buyer drafts the SPA or APA and associated docs
- Seller M & A lawyer and EE coordination of reviews and comments
- Stock vs Asset purchase
- Exhibits & Schedules
- Fixed asset titles, UCC filings, lien satisfaction
- Use of Closing Checklist
- Banking, keys, passwords
- The closing
- Wiring of funds

Sell Side The Closing

- Similar to a Real Estate closing but more items
- Electronic/remove vs in person
- Who attends
- Who manages the closing checklist
- Signatures
- Keys, signature cards, execution of employment agreement
- Wiring of funds
- Very anti climactic for the most part

Sell Side Post Closing Transition

- One of most important, but overlooked parts of the process
- Technical transition of assets, integration of assets, inventory
- Internal communication with employees and clients
- Can be chaotic if not planned properly
- Use of Golden handcuffs pre-employee announcement
- Seller will most likely have contingent payments post close so need a smooth transition

Sell Side

Sell Side Transaction Fees

For budgetary purposes, you should plan the following for a \$10-20 million sale. For smaller or larger companies, percentages differ.

- M & A Attorney..... 0.75 to 1.25% of the purchase price
- Accounting Firm.....0.5 to 1.0% of the purchase price (depending on whether there is a buyer Q of E planned)
- M & A advisory firm.....3.0-4.0% of purchase price (depends on size of the sale)
- Budgeted Total..... 4.25 to 6% of purchase price





Companies are Unique

E|Enginuity knows that every company, and its owner(s), are unique. Not all companies want to sell. Not all want hyper-growth. Many simply need a bit of help in achieving their goals. That is why E|Enginuity is not just about buying and selling, but also here to assist companies with an array of advisory services collectively geared toward internal adjustment to prepare for growth or a sale.

CONTACT US



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