



THE ROLL UP DESIGN & EXECUTION PACKAGE



CORPORATE GROWTH

Growth is everything to a business. If it is not growing it is stagnating. If it is not growing at the same rate as the industry, it is losing market share to the competition. Growth and expansion is not only good for the bottom line, but also for the employees so they can see the future with the company. It is good for the customers, and it is good for the community.

The principals of The Enginuity Group are known for their expertise in designing and executing very successful growth plans over four decades. They received both the Inc 500 #34 and #9 Awards for corporate growth. Because of the experience in designing, modeling and executing multi faceted “roll up” programs, they are uniquely qualified to do this for you and your company.

CORPORATE GROWTH DESIGN

When you think of growing a company, you most likely think of selling more, hiring more sales agents, and/or maybe acquiring another company. Yes, those items are part of an overall growth program, but there is much more if you want it to achieve the assumed objective of exponential value increase.

Whether your plan is to grow organically or by an engineered roll up, you must have a **Blueprint**

It starts with a thorough understanding of where you are today and your end goal, i.e., what do you want it to look like terms of revenue and earnings in five years? Same service / product, or diversity? Single geography or multiple? Centralized management or decentralized? And so forth.

You can no more properly & seriously expand a core company or execute a roll up strategy without a plan any more than you can build a building without a blueprint...

THE PRIMARY TYPES OF GROWTH AND EXPANSION



INTERNAL DIVERSITY

Adding more complimentary services/products to your core base by several means

ORGANIC GROWTH

Hire more, sell more of your product to more customers in each market

SEEDING & CLONING

Zippping up a minimum configuration of your current operation and planting it in a new area. Then water it and let it grow.

ACQUISITION

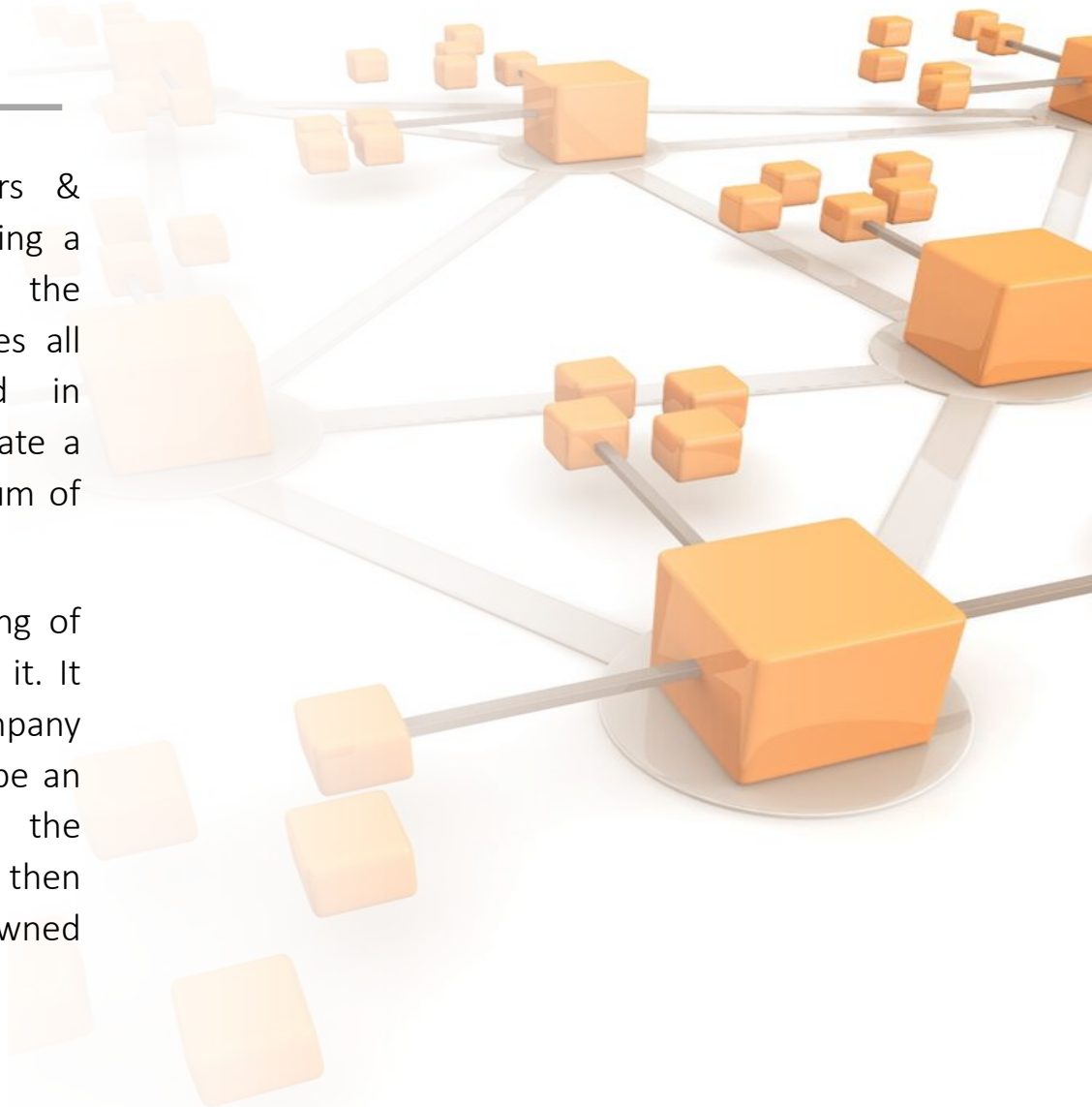
Growth by acquiring other companies in same or different geographic areas with either the same or complimentary services.

WHAT IS A ROLL UP?

It is a term used in the Mergers & Acquisitions field that refers to creating a multi-unit enterprise formed by the acquisition of two or more companies all organized and partially integrated in service/product and geography to create a value that is much greater than the sum of its individual parts.

It starts with a thorough understanding of the objective and a design to achieve it. It can be an expansion of an existing company that serves as the platform, or it can be an engineered design starting with the formation of a holding company and then multiple acquisitions as wholly owned subsidiaries of that holding company.

There are several hybrids as well.



ROLL UP ACQUISITION PROCESS

It is not just calling an Owner or CEO and asking if they would like to talk about being acquired.....

That is the quickest way of eliminating that potential target.

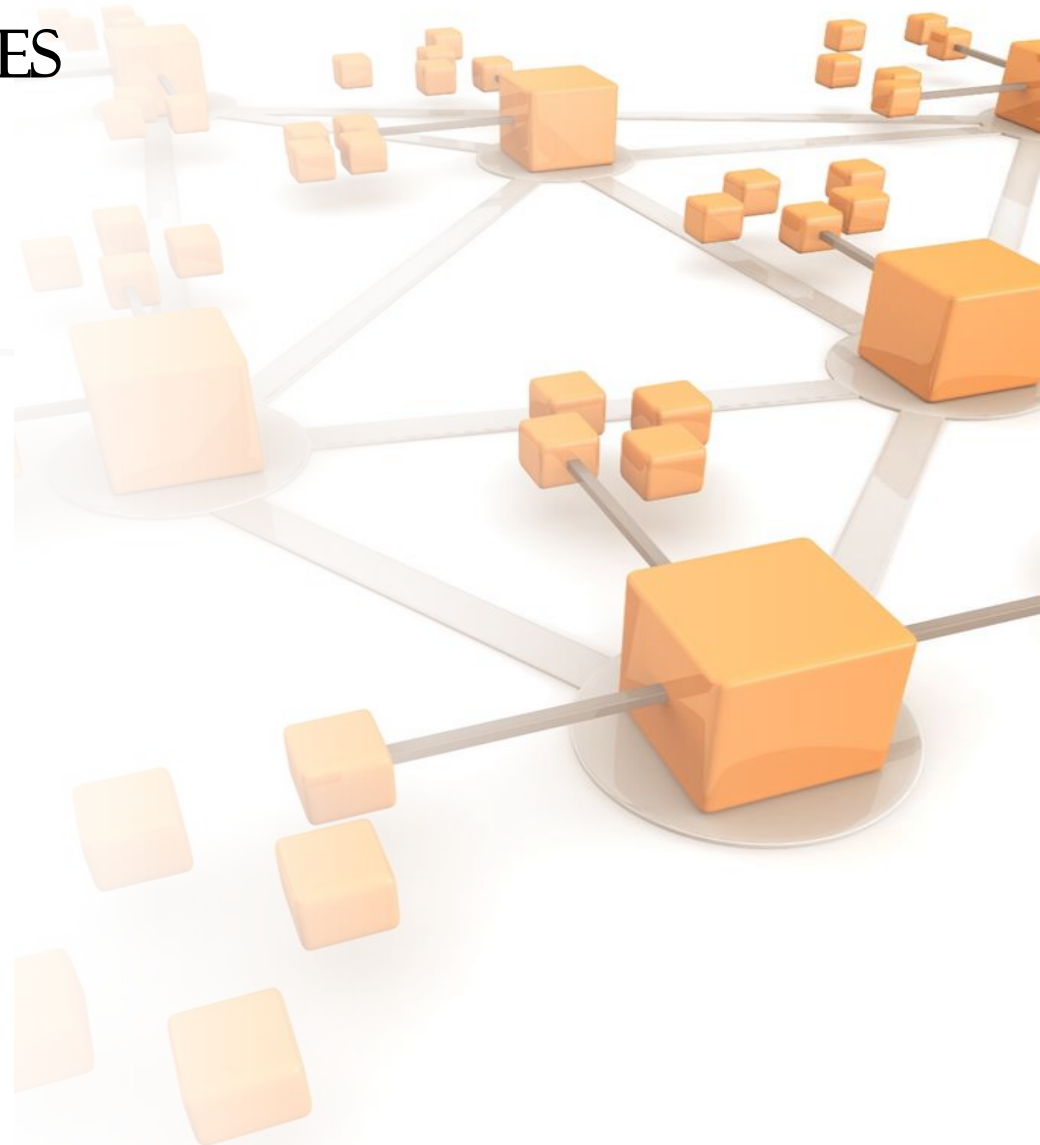
As with the initial growth design, proper research and planning is just as critical here. You usually have one and only one chance at attracting the attention once you have identified a “target”..... Do your homework!



THE THREE ROLL UP TYPES

There are generally considered to be three primary types of Roll ups:

1. **Serial Assembly.** Start with a platform, then add others one by one in a non standardized manner.
2. **A Mass Building Roll up** – simply acquiring companies with or without possible synergies to make the enterprise larger. More mass moves the multiplier of value upward assuming all else is equal.
3. **Synergistic Roll up** – adding companies that are carefully chosen to not only adds mass, but to allow for product/service diversification for a broad menu for customers.



EXPONENTIAL GROWTH BY A WELL-DESIGNED ROLL UP

It is like baking a cake. If you want it to turn out right, you must plan for the right ingredients in the right proportions and mixed in at the right time, and above all monitored at each step along the way.

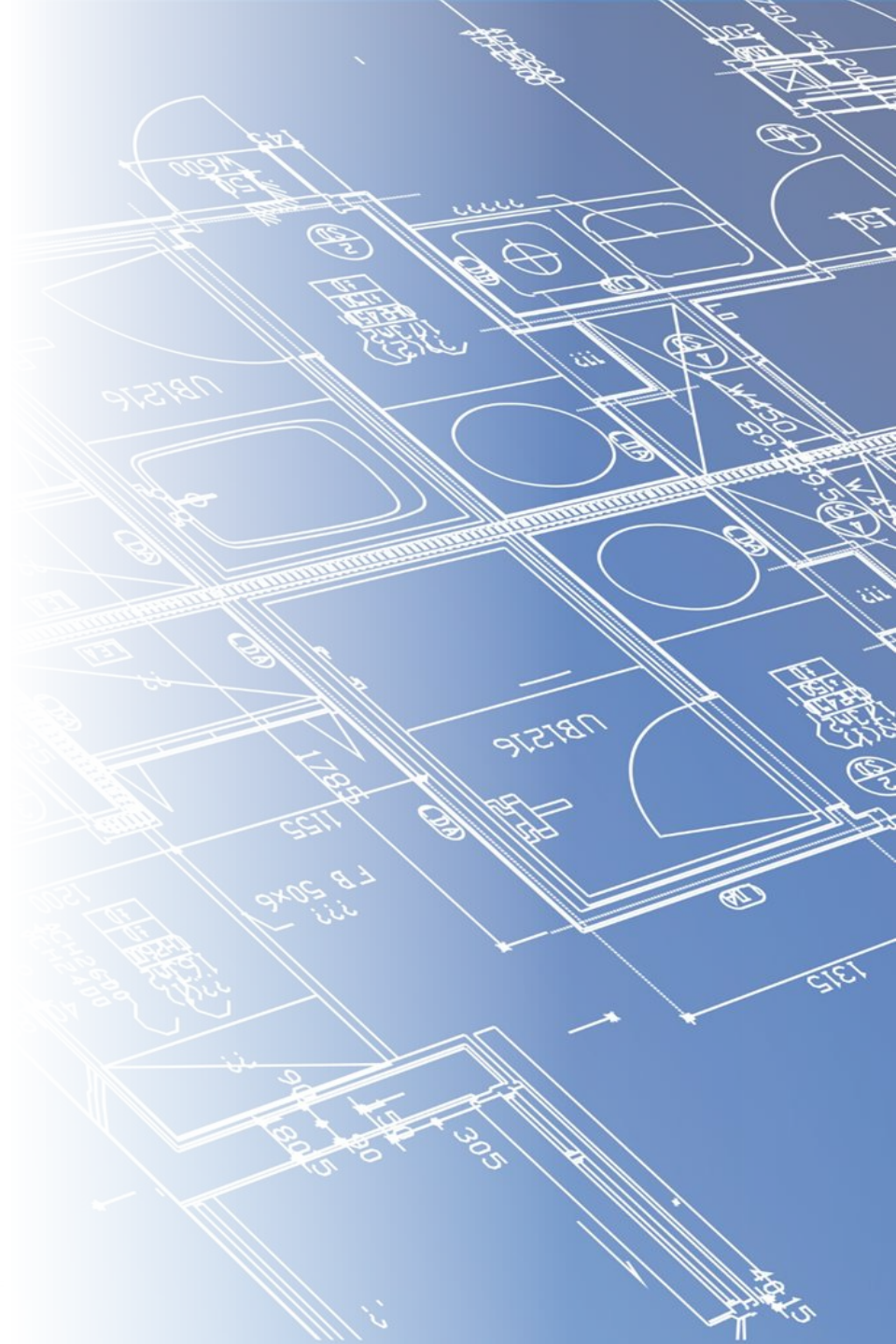


Roll Up Growth Design

The Blueprint.... the Financial Pro Forma becomes the road map..

Critical decisions to address:

- How large do you want it to be?
- How fast to achieve the end result?
- Average Size of each acquisition?
- Standard acquisition currency breakdown
- Ratio of equity to debt for each acquisition?
- What degree of leverage to employ?
- Budget...where is the capital coming from?
Cash flow, retained earnings, outside investors,
and understanding the pros and cons of each
- Are acquisition targets for mass, synergy,
geography or combination?



Roll Up Secret

There is really no secret....

It is all in the selection and timing of each new unit, not just buying several companies and hoping for a consolidated value increase.

Exponential Value Increase comes from designing it to have that exponential value increase and then carefully managing it by following the blueprint.

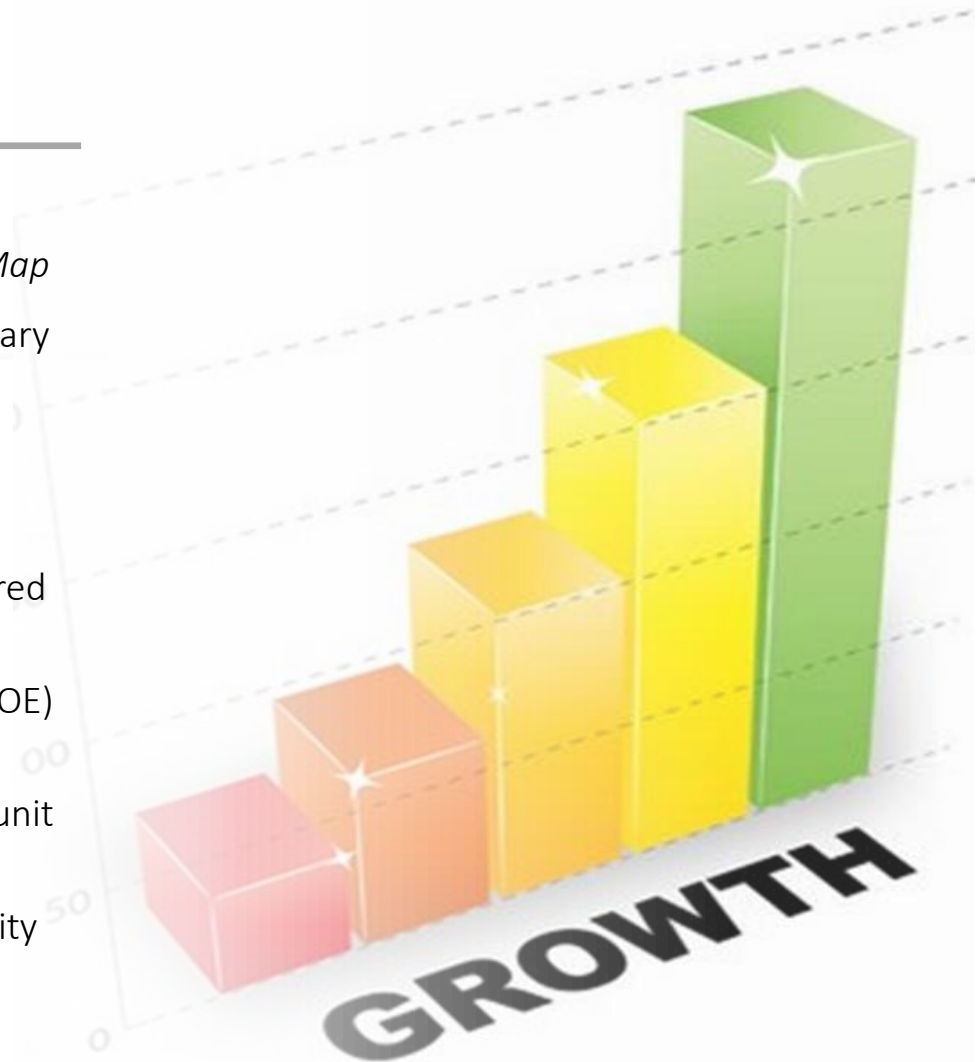


Roll-up Drivers

The Financial Pro Forma, aka, the *Road Map*

Six (6) Variables working together as Primary Metrics:

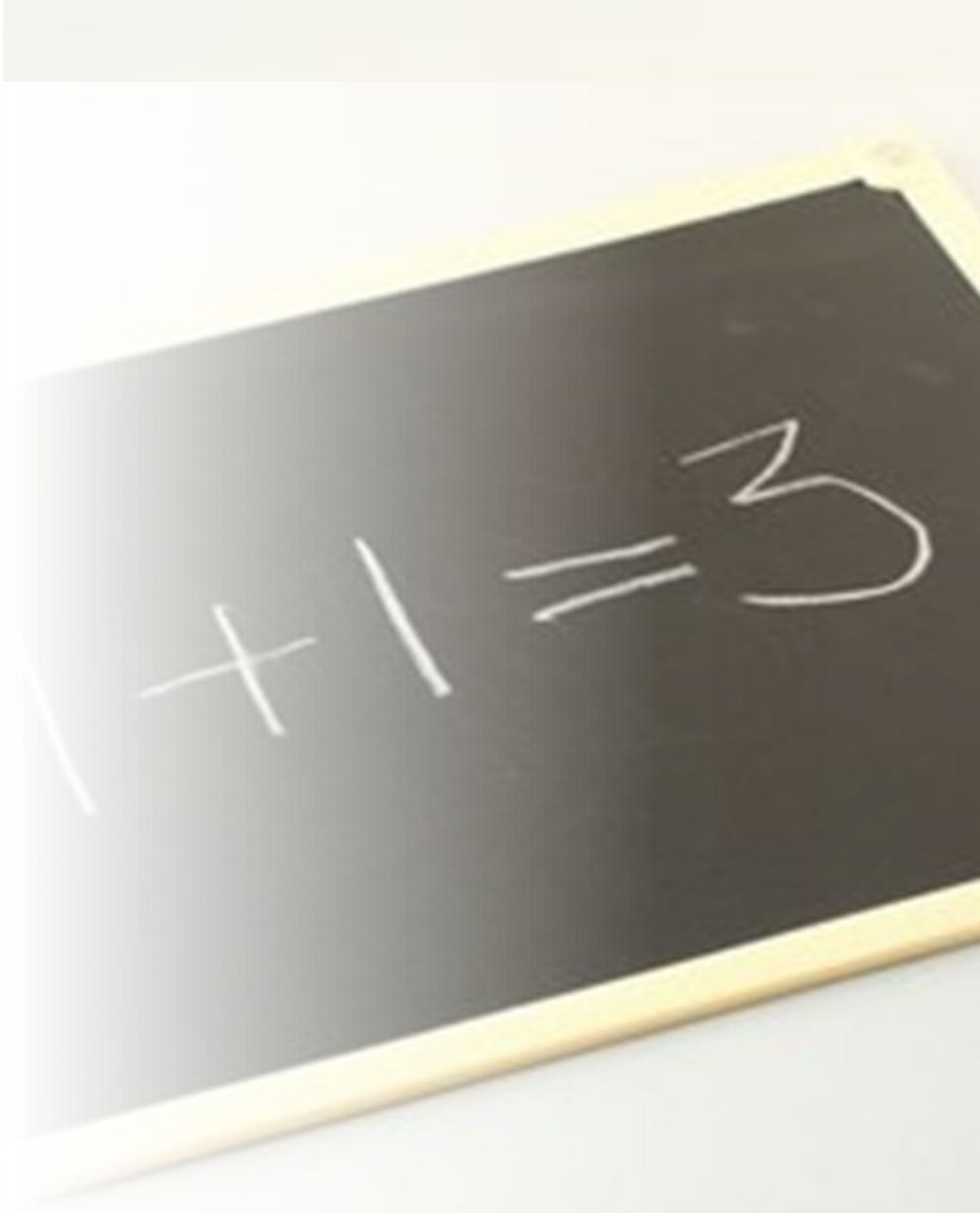
- Average Acquisition/Installation rate
- Leverage ratioinitially vs ultimately
- Average starting EBITDA of each acquired or installed units over 3-5 years
- Average amount of Roll Over Equity (ROE) in each acquisition
- Assumed organic growth rate of each unit (Revenue & EBITDA contribution)
- Back-office consolidation rate & quantity



Roll Up Math

- Acquire 10 \$1 million EBITDA companies at 3 x EBITDA each
- Value of that mass went from 3 x to 4.0 x without growth
- Add 10% growth rate to each unit. In 5 years, the EBITDA has grown to \$16 million in EBITDA
- Multiplier also increased
- Value in 5 years $5.5 \times \$16 = \88 mm
- Invested \$30 mm....190% ROI

This is an elementary example, for the theoretical return is much high due to other value drivers in the roll up model.



THE E|ENGINEUITY ROLL UP DESIGN & EXECUTION PACKAGE



PHASE I ROLL UP DESIGN COMPONENTS

The Design includes:

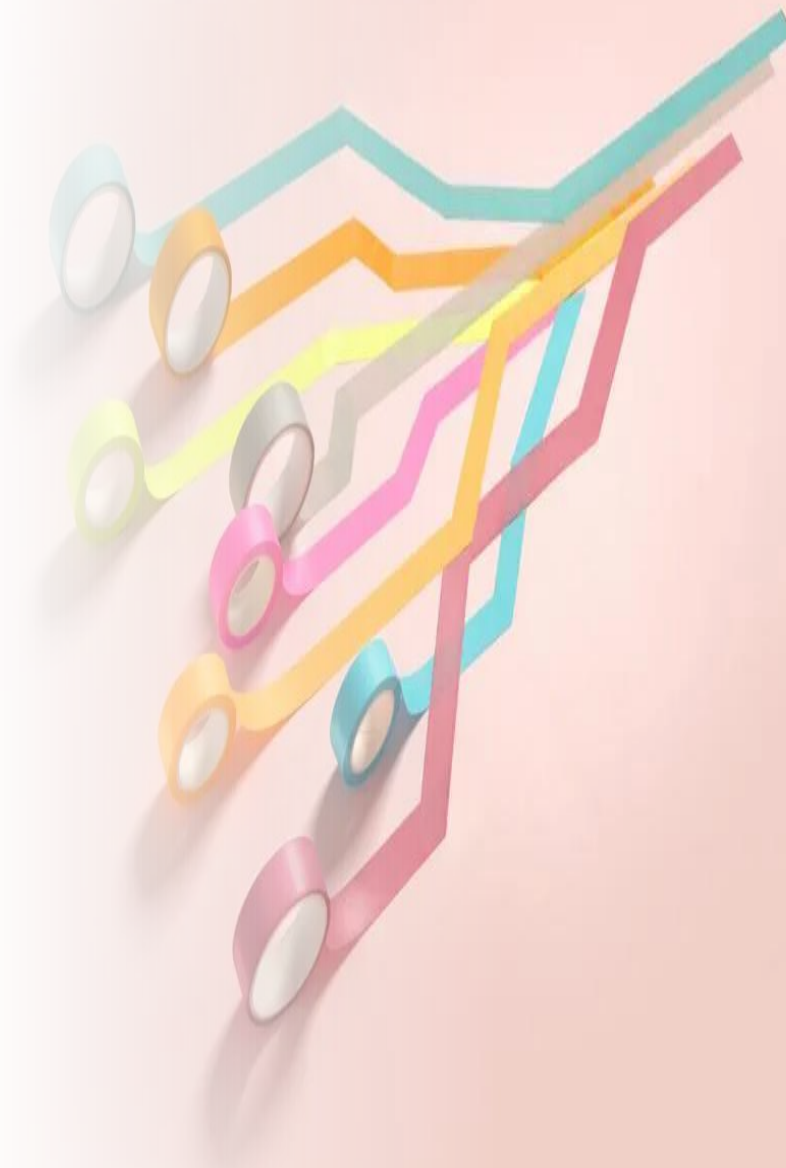
- Gather necessary information from client, its principals, associates, financiers, and others in order to gain a deep understanding of the goals and objectives of company as it relates to the design.
- Conduct feasibility study on industry sector client chooses for “roll up ability”.
- Develop the plan for the assembly and management of a multi company enterprise including master timeline for each element.
- Prepare dedicated website.
- Prepare trade exhibition & marketing materials for interested parties.



Phase I

Roll Up Design Components

- Design a financial model in Excel or Access that contains the key roll up variables and inputs as a guide for the execution and management of the plan.
- Develop a shareholder/investment capitalization and stock dilution schedule for equity sharing and stock valuation.
- Prepare Marketing Offering booklet.
- Prepare LOI, APA and SPA templates
- Prepare Membership Unit Holder operating agreement.
- Prepare Acquisition/evaluation checklist
- Prepare cloud data rooms.



Phase II Marketing

- Identify targets and search criteria with client for the initial and subsequent acquisitions.
- Research
- Develop database and short list by phase of targets with client.
- Execute Buy Side outreach using direct email, direct mail, html advertising, etc)
- Exhibit and promote at industry national and regional conferences.
- Coordinate and host introductory meeting with client (Zoom)
- Provide regular updates and feedback on search progress to client.
- Personal one on one screening, promotional conversations with respondents



Phase III Acquisition Execution

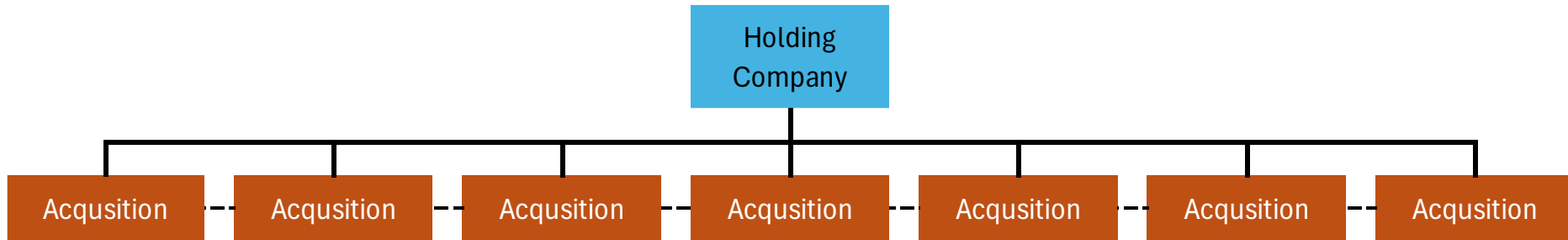
The Engenuity Group's comprehensive acquisition process is a result of over 40 years of building enterprises by roll up. It is a methodical step by step process with unique features that usually result in finding just the right target.

- Apply The Engenuity Group's standardized multi step buy side process to acquire targets!
- Repeat the process for subsequent acquisitions.

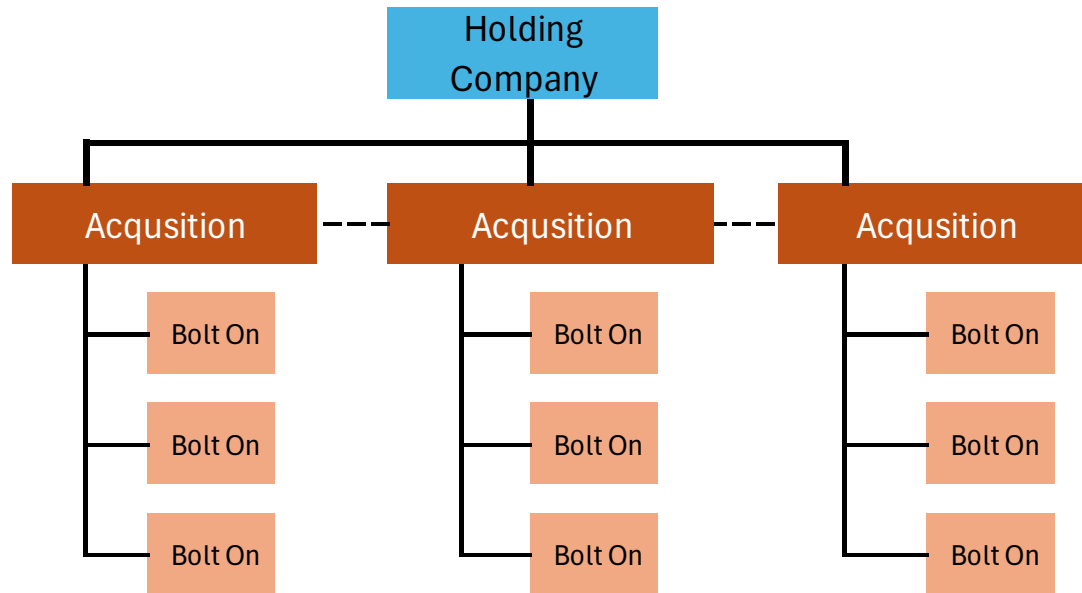


BASIC ROLL UP STRUCTURES

This is a classic roll up structure when starting from a design only with no platform company already owned by the sponsor, using relatively equal size acquisitions.

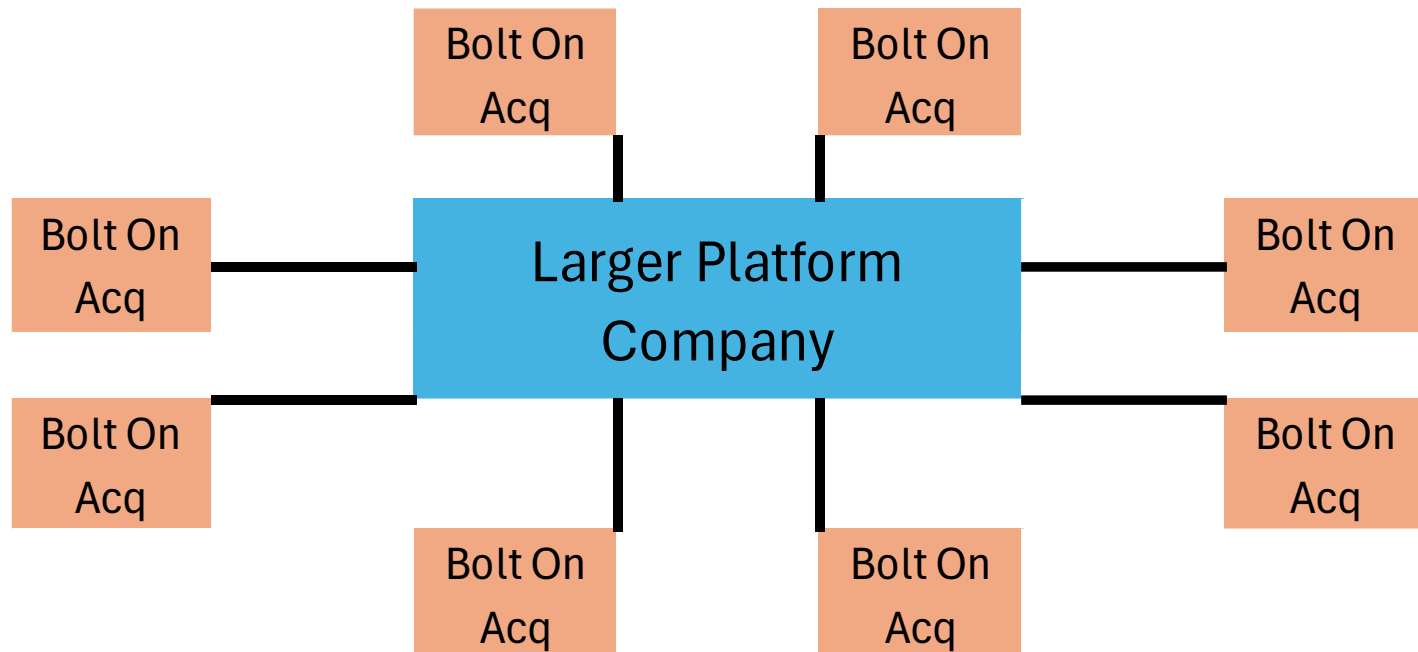


This is a structure with a mix of larger acquisitions and smaller "bolt on" or "add on" acquisitions.



BASIC ROLL UP STRUCTURES

This is the typical structure of an existing or newly purchased larger platform company to start and then add on various smaller “bolt on” acquisitions as divisions or subsidiaries of the platform company.



Phase III Buy Side Acquisition Process

Once the Roll Up is designed with the financial model and the other components complete, it is time to execute on the plan by acquiring the first company (or first add on if expanding a single company).

The Enginuity Group has honed the “buy side” process to an art. It has been buying companies since 1983 primarily as part of several national roll ups. Along the way, they figured out the tactics and techniques to bring a CEO of a company that is “not for sale” to the discussion table and to be available to be acquired. After that many years, they gained a lot of experience in this art.



Buy Side Acquisition Process

If you want the best acquisition candidates, take your time and research, and only if you have enough solid data to support your initial target assumption, do you act on it....

This requires, among other things:

- Great databases
- Great research skills
- Understanding filters & how to use them
- Polished conversation skills
- A bit of Craftiness

Buy Side Process

The Enginuity Group provides a comprehensive 7 component program beginning with the identification of target criteria.

- Define target criteria
- Research-know who to target
- Outreach and engage target
- Screen target
- Engage target into the roll up
- Process the target to LOI and closing
- Manage acquisition closing



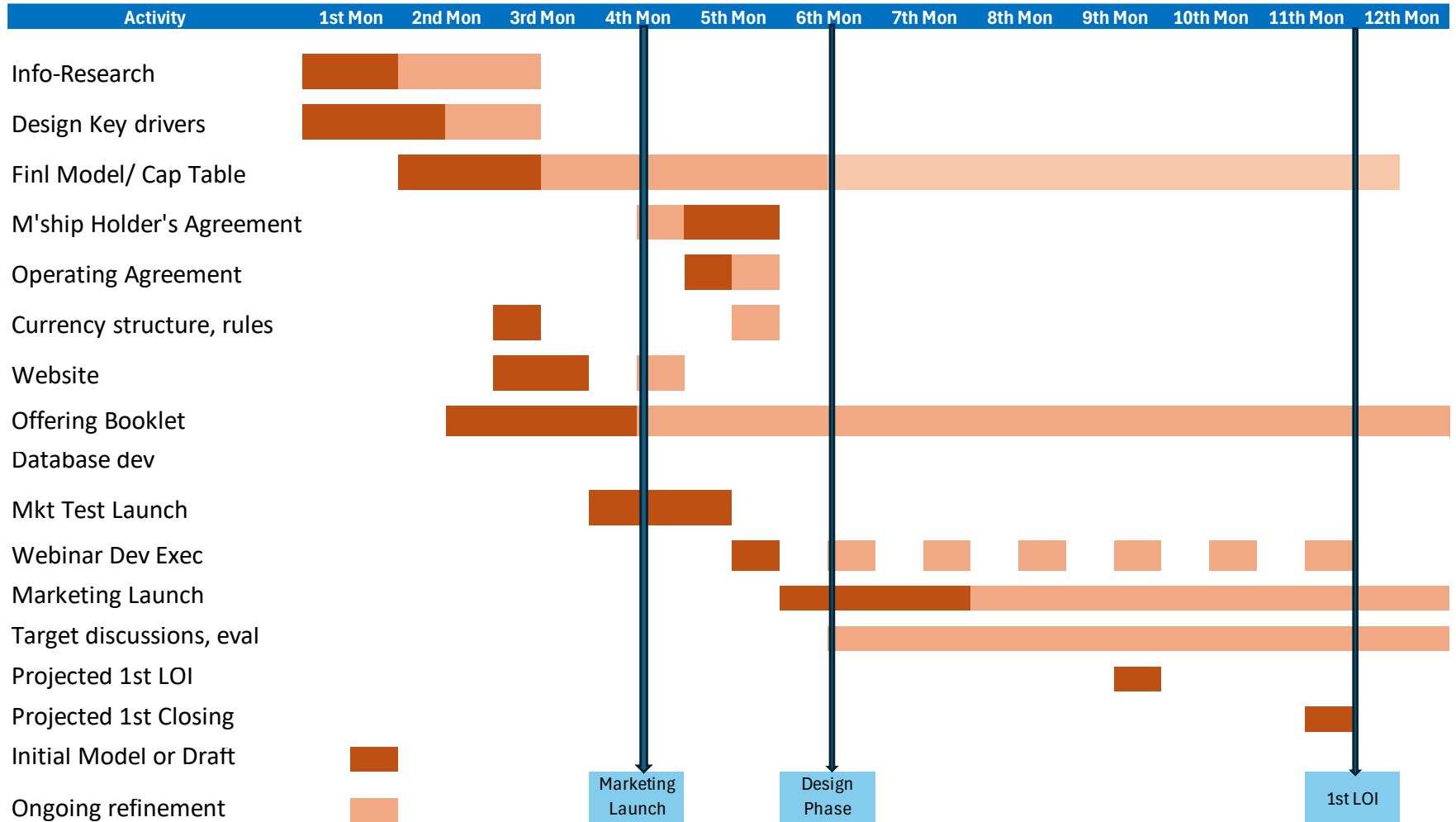
Other Components in the Package

There are many more components provided in the package than those listed, such as:

- Provide guidance/advise on back-office consolidation and accounting structure for subsidiaries.
- Manage public/media relations
- Develop Operations Committee framework and process manual.
- Coordinate with client's legal counsel and tax advisors
- Guidance on setting up a roll up structure chart of accounts for subsidiary/hold co allocations and consolidation of accounts.
- General consultation & guidance along the way.



GENERAL PROGRAM TIMELINE



CONCLUSION

- Unless you have the time and patience to learn by doing and making a lot of mistakes along the way, taking a single company, regardless of size and turning it into one of 5-10 times that starting value over a set period, takes careful planning, sharp financial modeling skills and above all experience in growth design and roll ups
- If you don't have that, talk to us about the Engenuity Group's comprehensive roll up design and execution package. It is the most direct and quickest way to rapid value increase.



INTERESTED ?



For more Information on this package
click here



Click here to schedule a confidential
Zoom or phone meeting



wdk@eengineuity.com

