



Roll Up Design & Execution



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 a significant increase in size and value.

You must have a **Blueprint**

It starts with a thorough understanding of where you are today and where you want to be in five years. What do you want it to look like? What size? Where and what product or services will you offer? Single geography or multiple? Centralized management or decentralized? And so forth.

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



Components of Growth and Expansion



ORGANIC GROWTH

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

INTERNAL DIVERSITY

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

SEEDING & CLONING

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

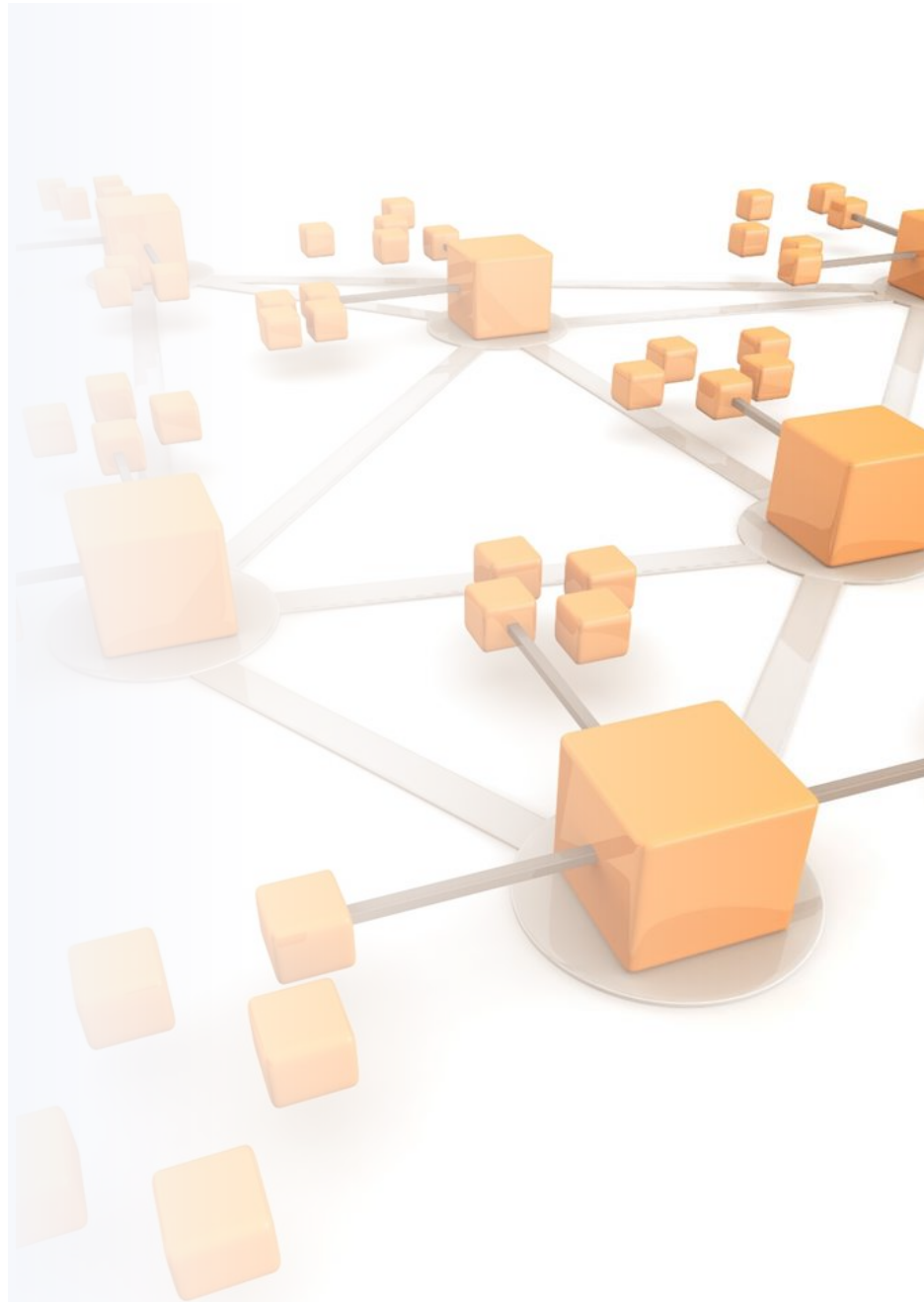
ACQUISITION

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 integrated in service/product and geography to create a value that is much greater than the sum of its individual parts.

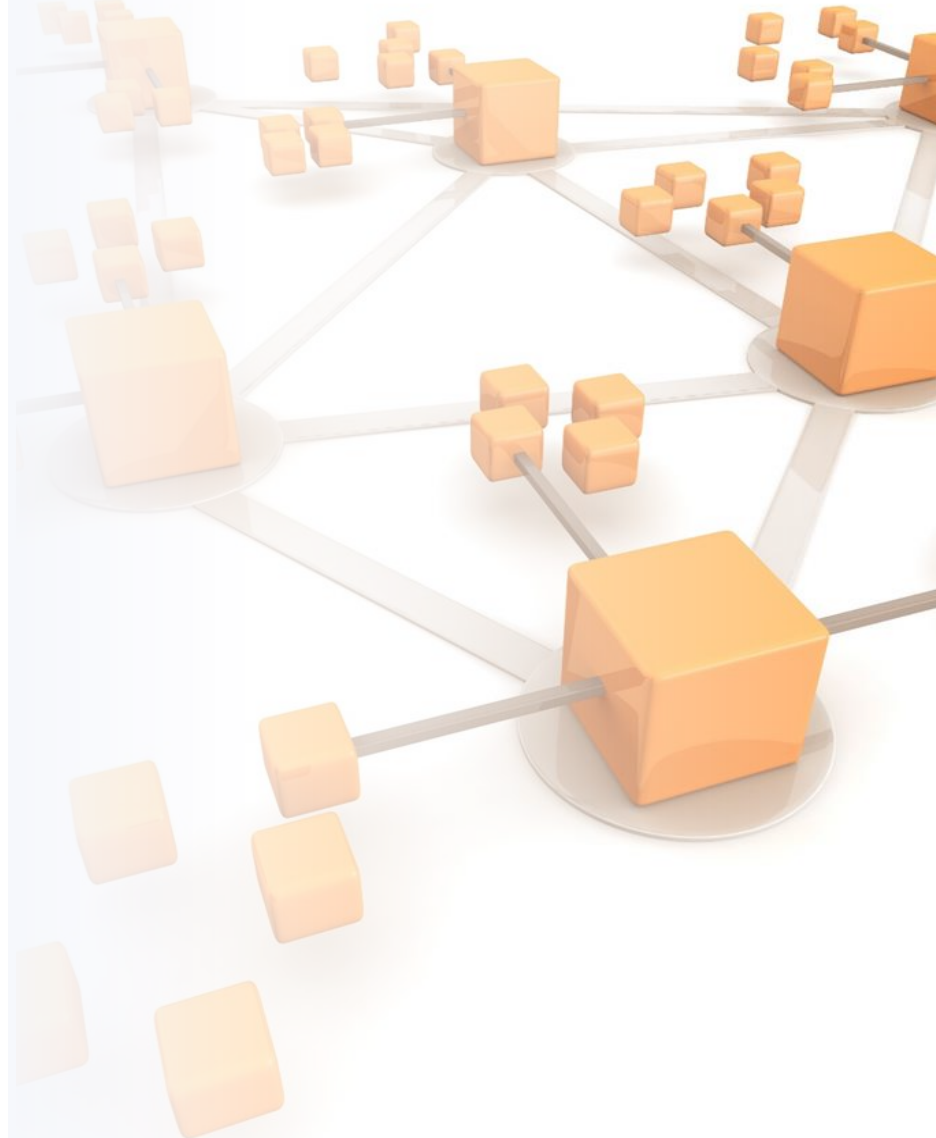
It starts with a thorough understanding of the objective and a design to achieve it. It can be an expansion of an existing company that serves as the platform, or it can be an engineered design starting with the formation of a holding company or acquisition of a starting “platform” company and then multiple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



The Three Roll up Types

There are generally considered to be three different 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.



Is it Rollupable?

The 7 checkboxes

If “yes” to each of the following:

1. Is the market sector fragmented with plenty of independent providers?
2. Is the service/product clearly definable?
3. Can the service/product be standardized?
4. Is there a unique selling proposition?
5. Can service/product be provided at local level?
6. Can administrative overhead be consolidated?
7. Limited regulatory or licensing hurdles?

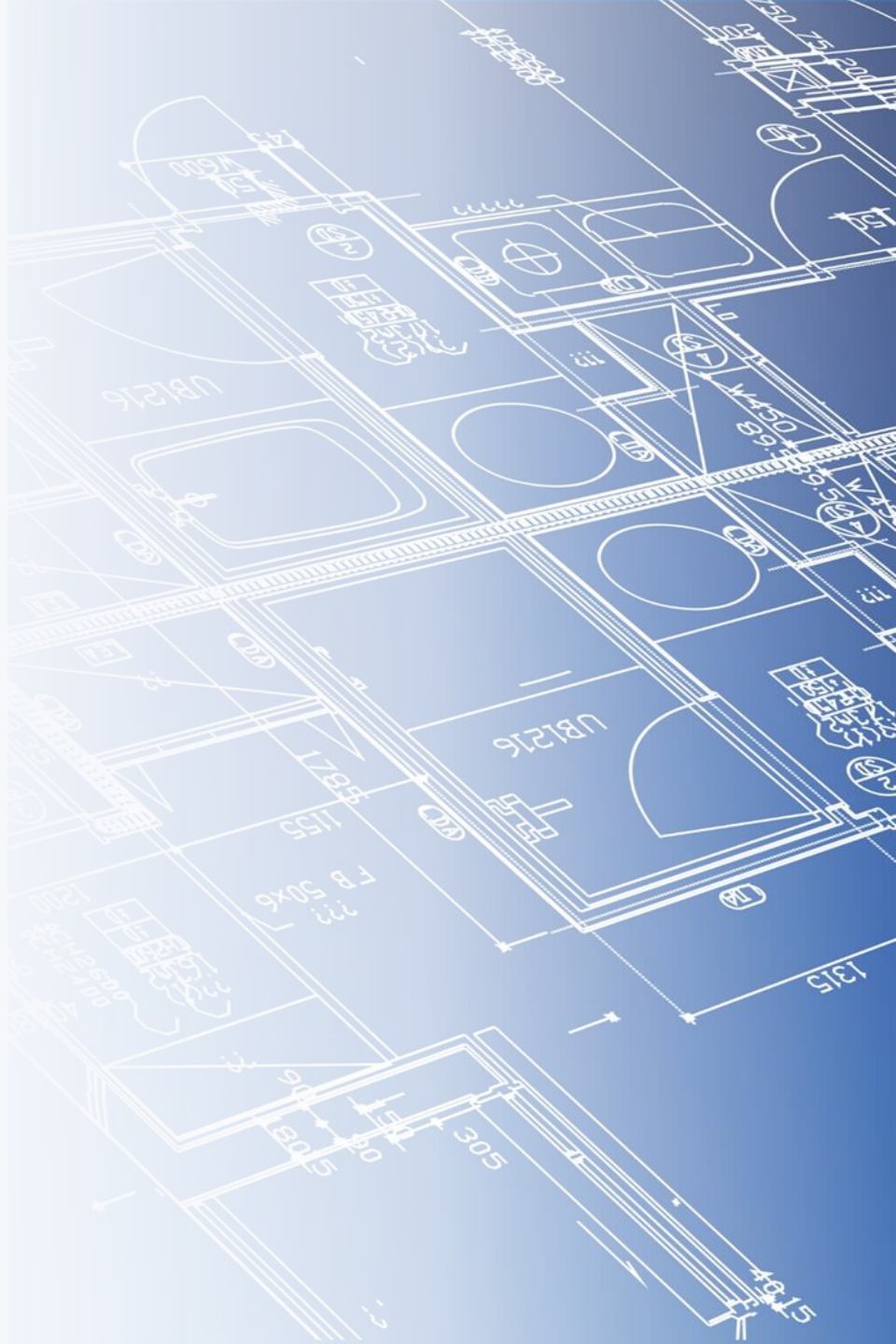


Roll Up Growth Design

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

A few 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
- Leverage ratio of equity to debt for each acquisition?
- 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?



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.

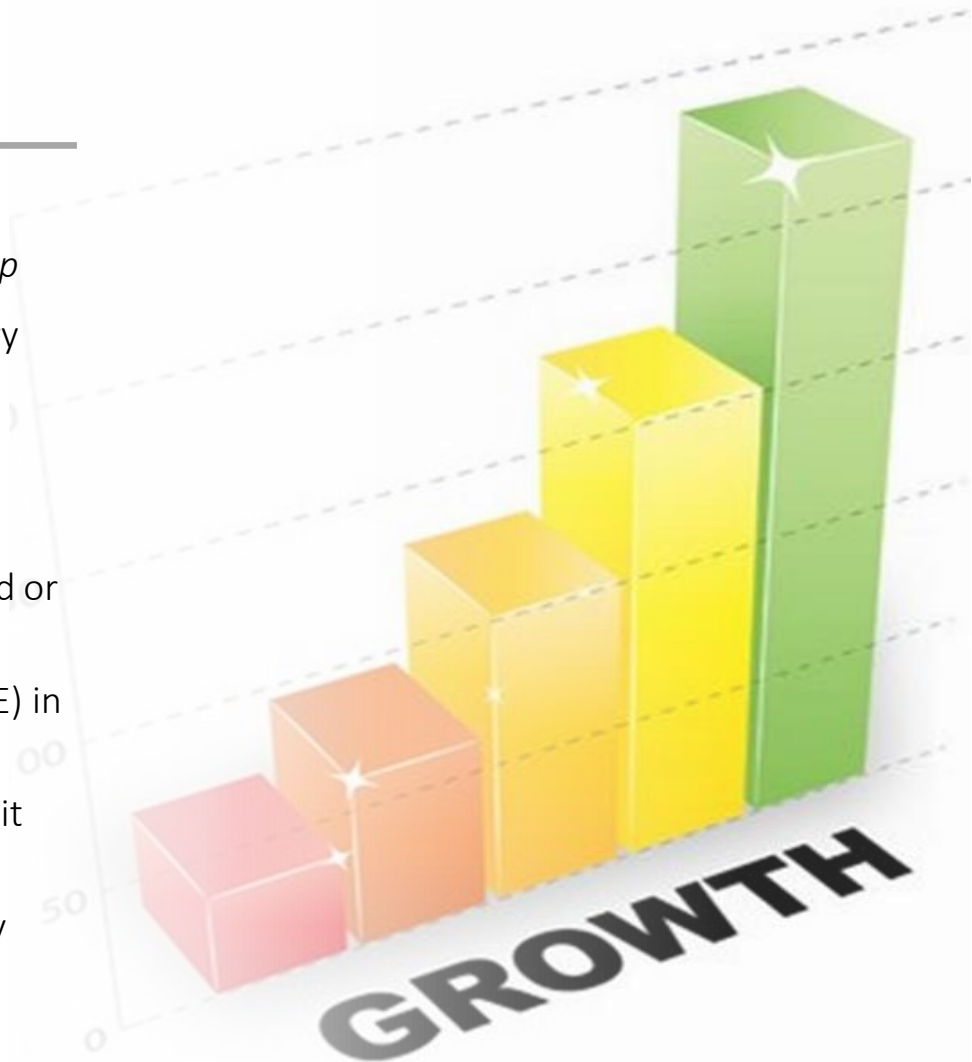


Roll-up Drivers

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 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.



The Enginuity Group's Roll Up Design and Execution Package



Phase I

Feasibility Investigation

- 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 investigation on industry sector for “*rollupability*”.
- Written summary of findings and recommendations



Phase II

Roll Up Design Components

- Define the service/product to be sold
- Develop the plan for the assembly and management of a multi company enterprise
- Timeline of the assembly
- Define structure of the organization
- Define economics of structure for each component
- Define administrative consolidation plan
- Prepare marketing plan for targets:
 - Mail/email and follow up plan
 - Prepare dedicated website (optional).
 - Prepare trade exhibition & marketing materials for interested parties.
- Define governance system
- Address licensing and regular issues and solutions



Phase II

Roll Up Design Components

- Develop a shareholder/investment capitalization and stock dilution schedule for equity sharing and stock valuation.
- Prepare Marketing Offering booklet.
- Prepare Membership Unitholder operating agreement.
- Prepare Acquisition/evaluation checklist
- Prepare cloud data room structure.
- Develop capital raising process (if applicable)
- Develop acquisition metrics
- Develop financial planning model to incorporate all the drivers
- Develop templates needed for acquisitions and operations
- Identify areas for standardization
- Prepare summary roll up plan



Phase III

Execute the plan....Buy Side Acquisition Process

It is now time to assemble the jig saw puzzle.

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 starting company).

There are many steps to this process with most of the steps running parallel to the others.



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



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”.....

The Engenuity Group has its way of finding the right companies and convincing an owner to be a seller to the roll up. It comes from years of practice.



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 a Roll Up

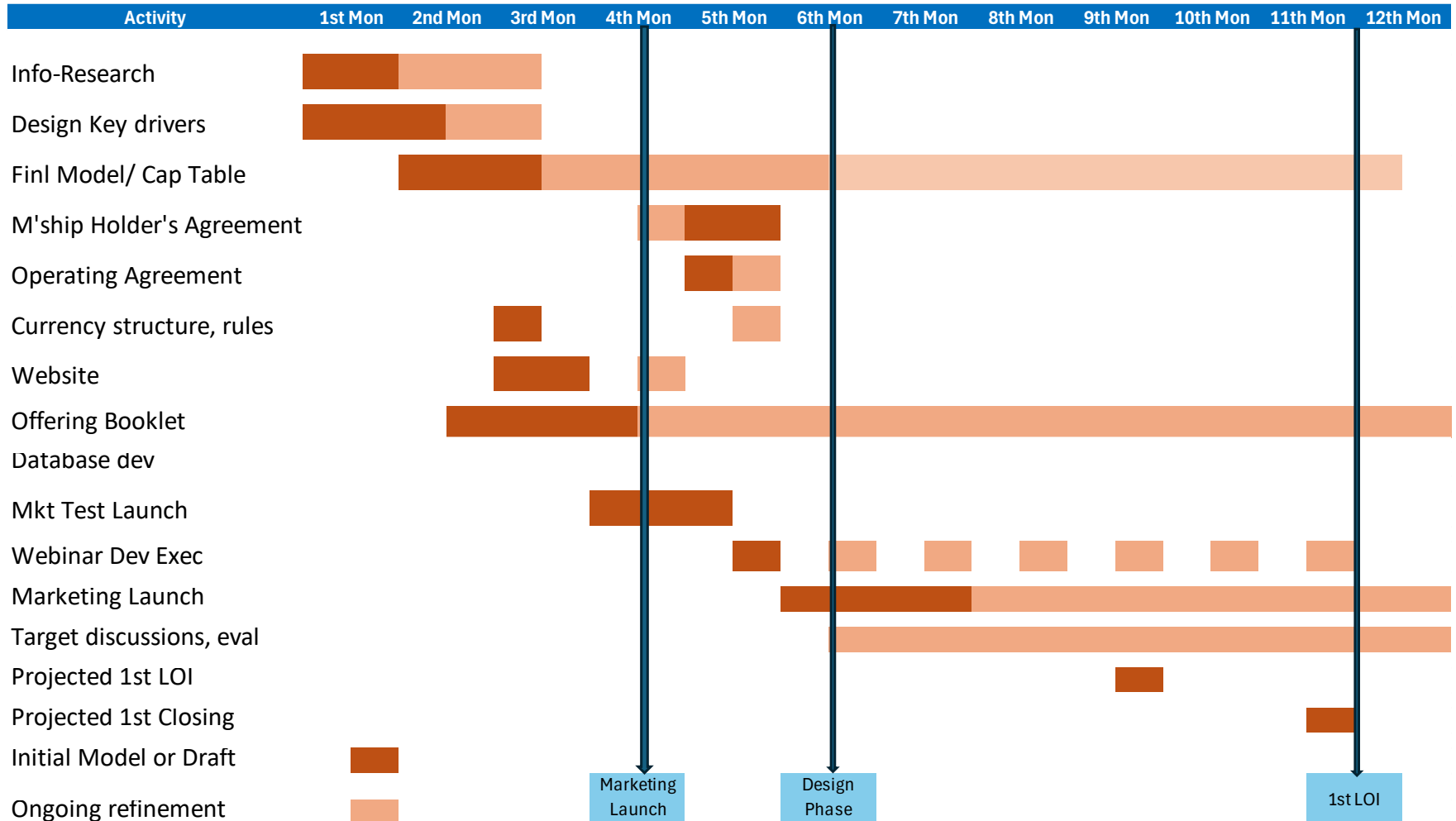
There are many more components such as:

- Providing guidance/advise on back-office consolidation and accounting structure for subsidiaries.
- Dealing with 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.

The Enginuity Group will provide guidance and advice on all of these items.



Typical Roll Up Design & Launch Timeline



We can help you achieve your goals.

Growth is everything to a business. If it is not growing it is stagnating. And by far the fastest way to grow an existing company or one that has yet to be acquired is by roll up. That said, not all situations lend themselves to being rolled up. The sector must be “rollupable” meaning that the attributes check all or most of the seven items on the checklist.

The principals of The Engenuity 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 for two of their roll ups. Because of the experience in designing, modeling and executing multi faceted “roll up” programs, they are uniquely qualified to assist you and your company to reach your growth objectives.

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 of time, takes careful planning, sharp financial modeling skills and above all experience in growth design by roll up
- If you don't have that, talk to us about the Engenuity Group's assistance. It is the most direct and quickest way to rapid value increase.

Contact: wdk@eengenuity.com
1.785.766.1756

