

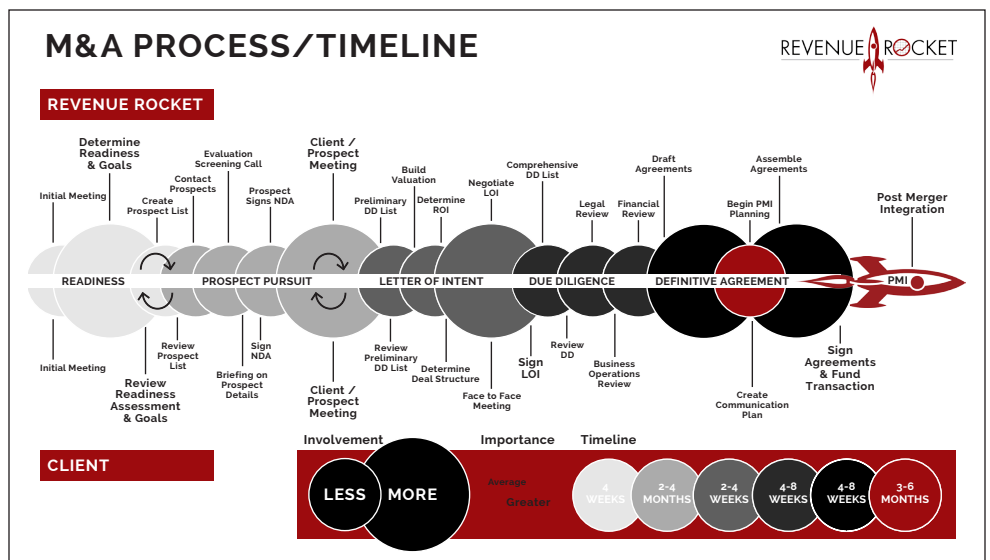
Our Path to Successfully Selling Your Business

It's a good time to be an IT Services Provider if you're looking to sell your business.

Not only is M&A activity trending at an all-time high, it's expected to stay active over the next couple of years as more and more executives look to acquisitions to grow their business. Equiteq, an advisory and M&A firm focused on the global consulting market, in its Global Consulting Merger & Acquisitions Report 2019, says "Buyers in adjacent industries may be willing to pay a strategic premium for an acquisition that enables expansion into a new space."

Having successfully negotiated more than 220 M&A deals we have a pretty good idea of the kinds of IT services companies that capture the attention of today's buying community. That being said, buyers today are more sophisticated, more selective and savvier. They are on high alert for companies that fit specific profiles that are accretive to their overall valuation and that are aligned with already-established expansion strategies and culture. There is no wiggle room for mistakes.

This is precisely why we are called in to assist executives looking for a successful sale of their company. For those so interested, we're often



asked by prospective sellers to provide them with an overview of the process we use for selling IT services firms, and here it is. We have to be clear in setting expectations. A merger is a lengthy, time-consuming process that can get a bit unnerving at times, but when done right it can yield attractive valuations.

The process is broken down into phases: M&A readiness, valuation assessment, buyer attraction, letter of intent, due diligence, definitive agreements and post-merger Integration.

M&A Readiness: Getting your company to the point where it becomes attractive to a buyer is half the battle. The Revenue Rocket M&A Readiness Review is designed

to help executives determine the level of attractiveness their company commands in the marketplace. It's our experience that among the top factors that attract buyers to a consulting firm are:

- 1) Historical and projected financial stability inclusive of consistent profitability in the business
- 2) Specialization of domain expertise in one main vertical or small set of verticals
- 3) Possession of unique and leverageable technology based intellectual property

After we review your M&A readiness, we may determine that you might want to hold off until making the requisite changes to your company to enhance its appeal and valuation.

Valuation Assessment: One of the first things we're often asked by executives looking to sell is, what can I expect in terms of valuation, or multiple? The obvious answer is: it depends. That being said, what we're seeing in the market are valuations that range from six to eight times trailing 12-month EBITDA. Our job at this stage is to counsel you on the most realistic assessment of your company's value in the market.

Buyer Attraction: We're now ready to go to the market, which starts off by defining the ideal buyer profile in terms of culture, technology, geography, size and product/service offerings set. Based on this profile, we develop a database of companies that match. We'll need to identify a sizable base of potential buyers. Having been in the M&A market for 19 years, we are constantly adding to and updating our large database of IT services companies. We start by calling prospective buyers to introduce the basics of your company without revealing identity. Upon interest, we have an initial, exploratory discussion between Revenue Rocket and the prospective buyer to determine strategic and cultural fit. If all is good, we move to the NDA stage, at which point we dig deeper, with a more detailed focus on financial fit.

Letter of Intent: For potential buyers with continued interest, we generate letters of intent which outline the terms of a deal and serve as an "agreement to agree" between two parties. At this point, we begin to negotiate and frame up an acceptable offer. We negotiate the high-level terms structure, outline employee agreements, and timelines for the transaction and document them for the letter of intent. Should you choose our legal option, we will draft the transaction and legally represent you in all aspects.

Due Diligence: Upon acceptance of the letter of intent, we set up a virtual deal room as a repository for all documents. A critical confidence builder for the buyer will be the ease with which you can upload all of the documents associated with the business. Preparing adequately during the readiness phase helps to expedite this process.

Definitive Agreements: Here the negotiating begins in earnest. All aspects of the definitive agreements, reps and warrants, employee agreements and terms will be negotiated. In this phase, there will be hundreds of items that will be negotiated not only with the buyers but also with their lawyers, accountants and advisors. Without a doubt, this is the most difficult stage of the game.

Post-Merger Integration: As drafting the definitive agreement comes to a close, we begin the post-merger integration phase of the acquisition. Because post-merger integration is when most acquisitions live or die, we take great pains to lay out a post-merger charter that identifies the road map of what needs to transpire both before and after close for success. Teams are identified and tasked with roles, responsibilities, strategies, budgets and timelines to ensure a successful integration. When this is done correctly there is a less than 2 percent turnover of customers or employees.

These are some of the reasons why you would bring on a consultant like Revenue Rocket: To keep you fresh for the tough stuff; to do a lot of the heavy-lifting; to be the bad guy when a bad guy is needed; to be the diplomat when a diplomat is needed; to be a sounding board when advice is needed; to be the negotiator when negotiating is needed; and to be someone who knows when, where and how to make these distinctions.

If you're looking to successfully sell your business, please contact:

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