

Private Equity Roundtable

May 5, 2022
Columbus, OH

Economic Forecasting: What's going to happen?

- No one has a crystal ball
- M&A is not macroeconomic, it is microeconomic
 - Focus on the underlying strength of the asset
 - A good company with an owner with reasonable expectations has very good chance of getting a very good deal
- M&A is supply side
 - Demand follows supply
 - An asset brought to market will get bids, the question is whether those bids will be of interest to the seller
- The market responds to clarity
 - Clearly state what you want to accomplish
- A random sample of one
 - Is that “over the transom” offer really the right fit? For buyers, you have to overcome that
- Role reversal
 - Easier to sell than buy
- A highly demanded limited resource

Search/Negotiate/Finance: The Components of M&A

- Finance is easy, buyers have money or access to money
- Negotiate = fun!
- Search is the brain damage work, the hardest part of the process

Are you buyer? Be Proactive!

- Thesis
- Avoid clichés (“We have money and industry experience and we want to buy you!”)
- How do investment bankers make buyers lists?

4 pm on Friday: A Day in the Life of Corporate Development

- Challenging, difficult
- Selling dollars
- Phone reluctance
- Difficulty differentiating themselves (selling dollars)

Changes on the sell side

- Quality of earnings (QoE) report

The Tax Question

- “Country club” number
- Focus should be on the net, not the gross
- Have you tallied everything?

Net Valuation vs Gross Valuation

Gross Valuation

(Adjusted EBITDA x **Multiple Range**)

+ cash on balance sheet

+ any delayed payments at NPV

– debt

+/- adjusted net working capital adjustment

+ enhancers – detractors – escrow at NPV+ **Seller's share of Buyer's synergies**

– transaction costs – projected taxes

Net Proceeds Valuation Range

Valuation differences

- Is use of earn outs increasing?
- What are some other methods to bridge valuation gaps?

Threats & Developments

- Rise of Family Offices
- Rising interest rates
- Systemic shocks