

# 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

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## 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