



MUNITIONS LAW GROUP  
CHESHIRE DEBROSSE, P.C.



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# *Exit Planning and How To Maximize the Value of Your Company*

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Presented by  
**Growth Strategy Partners LLC**  
**Munitions Law Group**  
**The Hickory Group LLC**

# Agenda

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- Today's Goals and Themes
- Introductions
- Exit Planning
- The Sale Process
- Typical Challenges
- Your Next Steps

# Goals and Themes

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## Goal:

- Provide you with insights to better prepare your business for a future transition/sale

## Themes:

- You should always be maximizing the value of your company and preparing to sell
- It's a sales PROCESS
- Selling for maximum value may not match your exit timing

# Our Presenters



## **Christopher DiCenso, Managing Partner, Growth Strategy Partners**

- Business consultant. 25+ years improving business performance
- Expertise in strategic planning, revenue generation, organizational change, product development, profit improvement and exit planning
- IDPA, USPSA, 3-Gun, hunting, exercise, boating, dog lover, husband, father of 2 daughters



## **Clay Cheshire, Partner, Munitions Law Group**

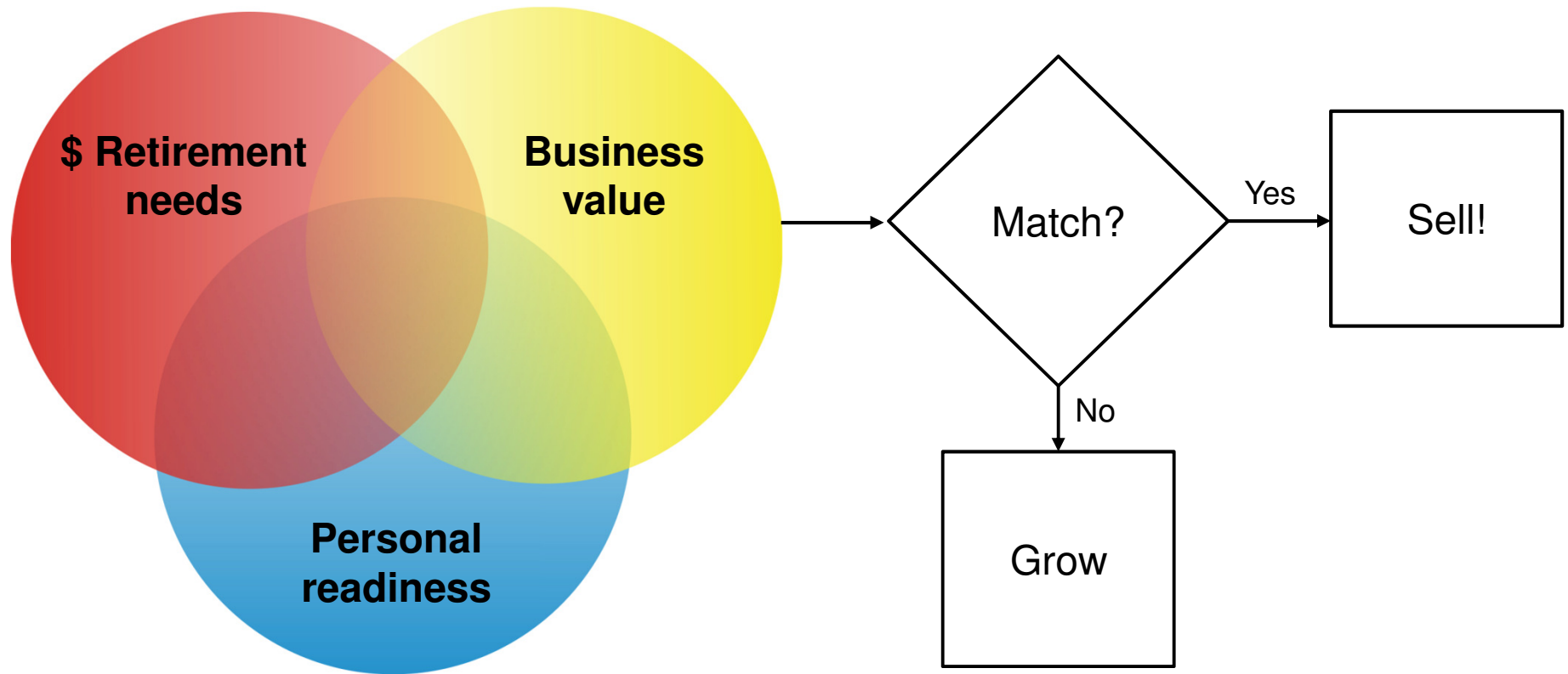
- Corporate and regulatory attorney – 15+ years advising members of the shooting sports industry
- Expertise in corporate structure, reorganization, and governance, ATF/TTB/State Dept. compliance, and mergers & acquisitions (including regulatory due diligence)
- Devoted husband and father to a three year-old daughter, dog and horse lover (especially horse racing), LSU fan, and appreciator of all things outdoors



## **Nicholas Kirk, Managing Director, The Hickory Group**

- 20 years providing strategic M&A and corporate finance services to private and public firms as well as institutional investors
- Recently completed a corporate finance transaction with a past NASGW attendee and looks forward to sharing client case studies of success
- Son of Vietnam vet, avid shooter since age of 6 years old. Transforming personal passion into a profession career.

# Should I Sell or Should I Grow?



# What Drives Positive Business Value?

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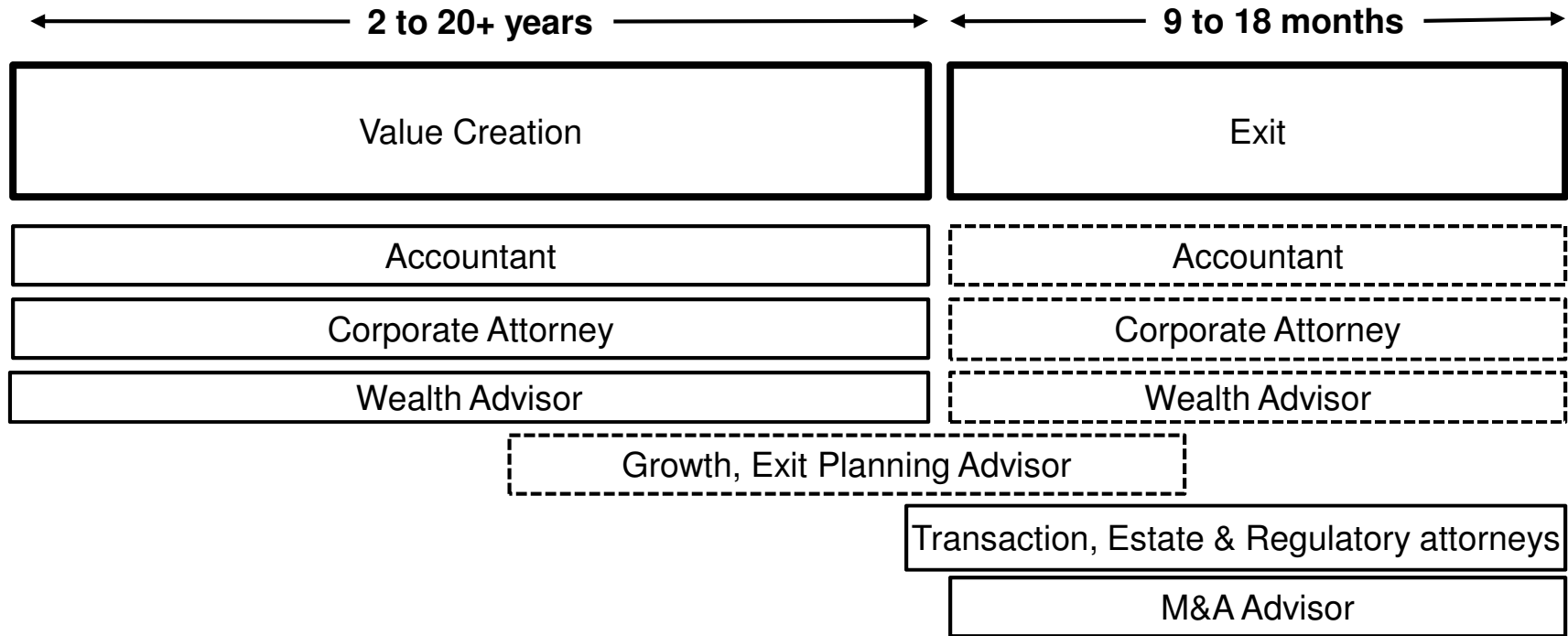
- EBITDA growth (earnings before interest, taxes, depreciation, amortization)
- Revenue growth
- Strong leadership team (immaterial ownership roles)
- Branded and differentiated products/services
- Intellectual property, patents
- Non concentrated customer base
- Robust processes (hiring, ordering, delivering, financial, etc...)
- Growing/niche market
- No legal, regulatory, personnel, etc. issues

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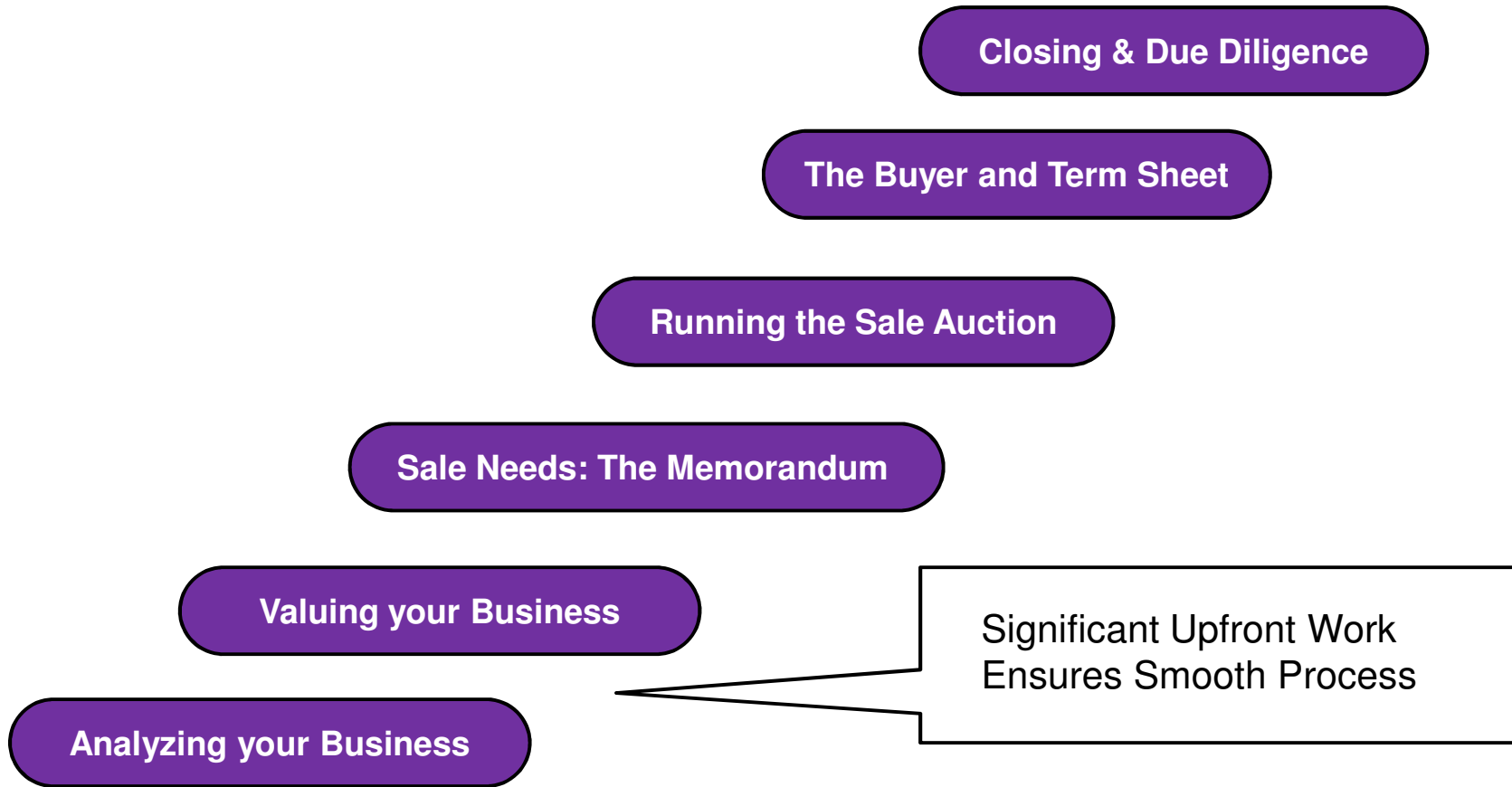
# Timeline and Team





# Exit Process Overview

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# Legal Discussion Summary

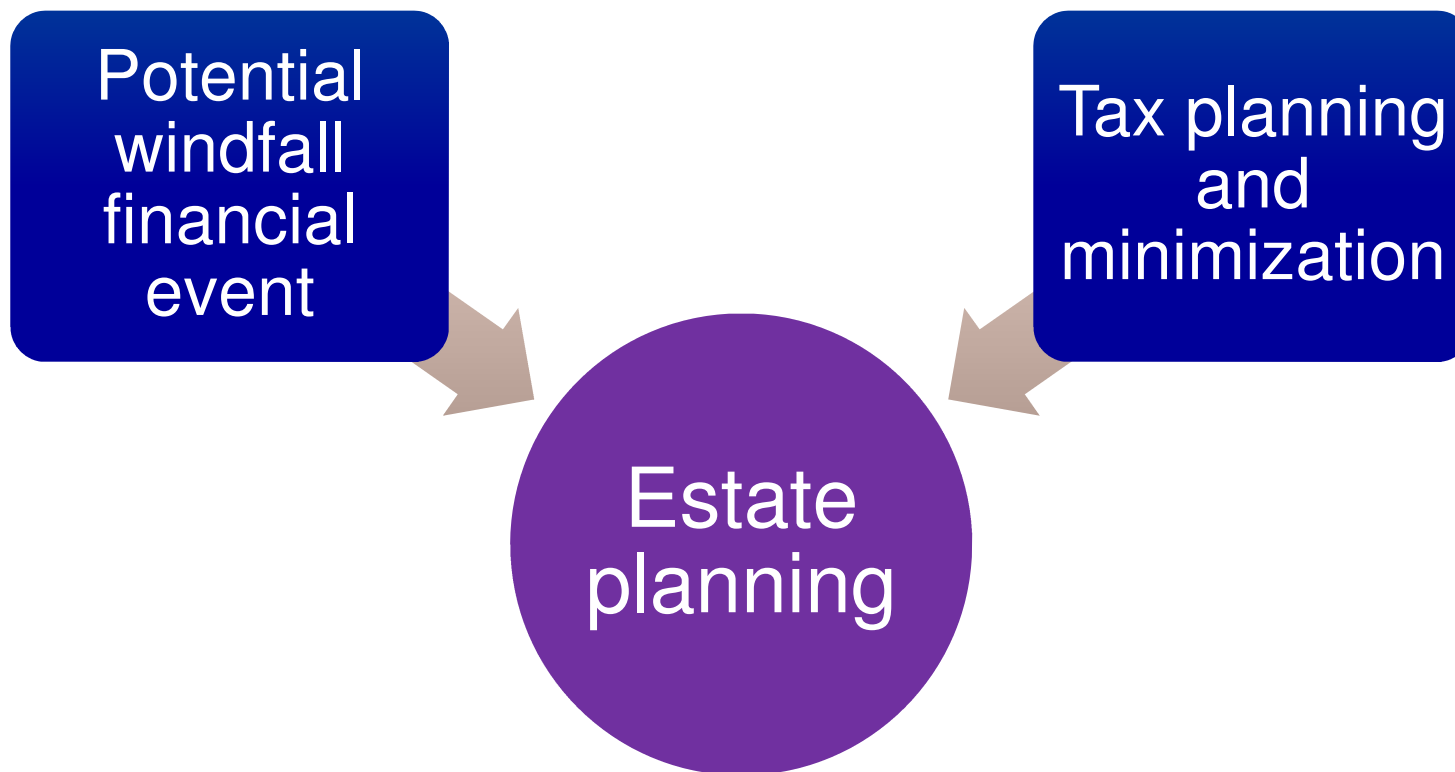
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- Are you personally prepared to exit?
- How do you “execute” a decision to exit?
- The importance of conducting thorough internal due diligence.
- What are the stages of an exit transaction (a sale)?

# Personal Exit Preparation

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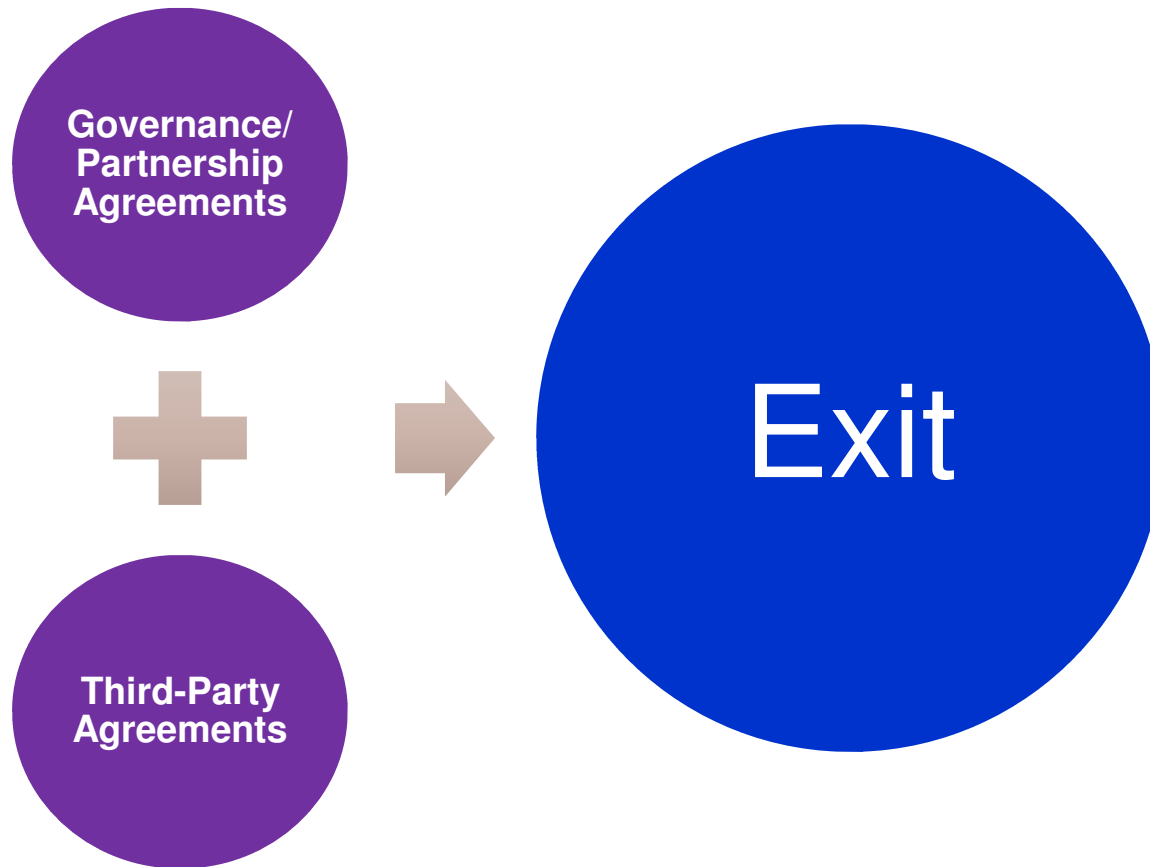
Are you personally prepared for an exit?



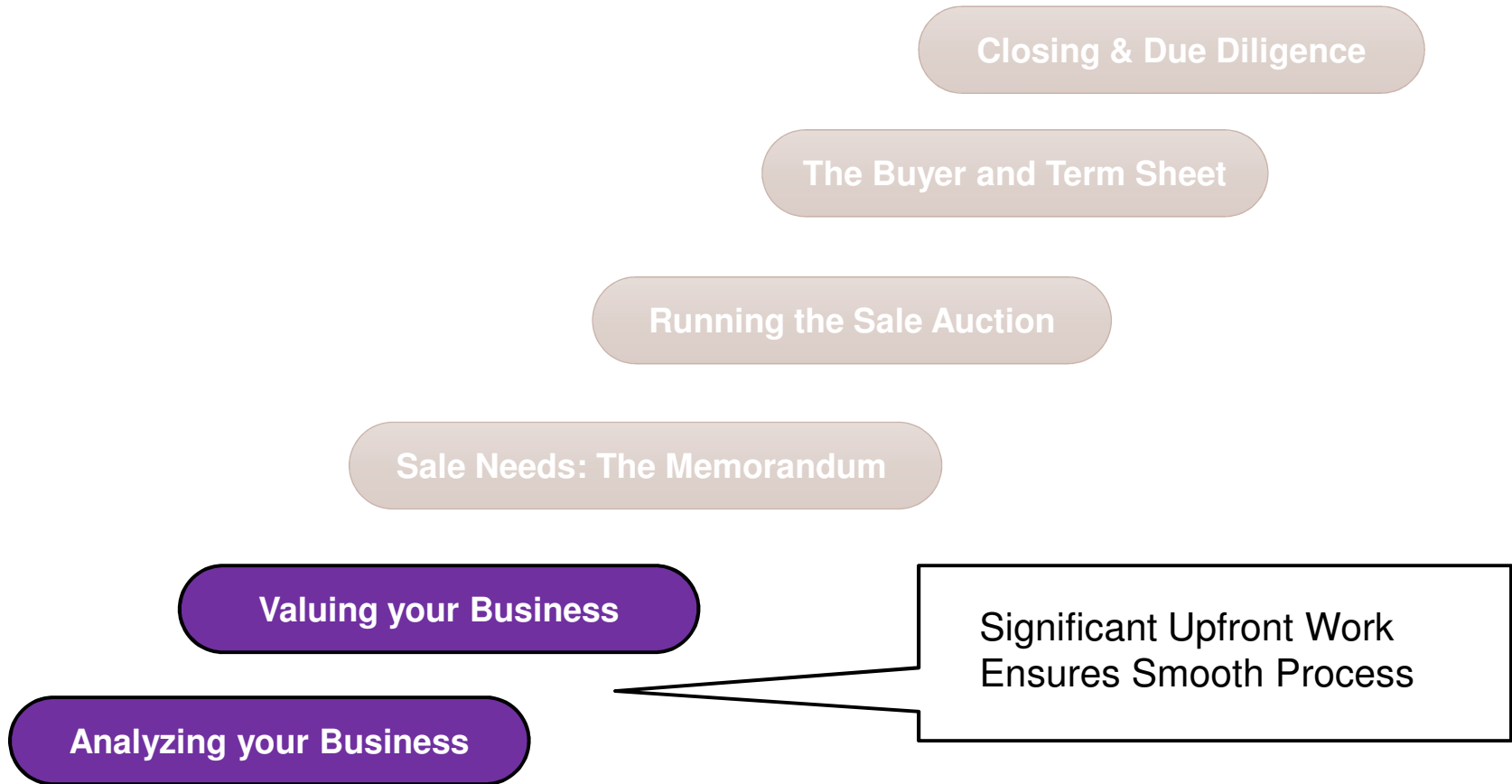
# The Decision to Exit

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How do you “execute” a decision to exit?



# Analyzing and Valuing Your Business



# How to Value a Business

## *How do I know what my company is worth?*

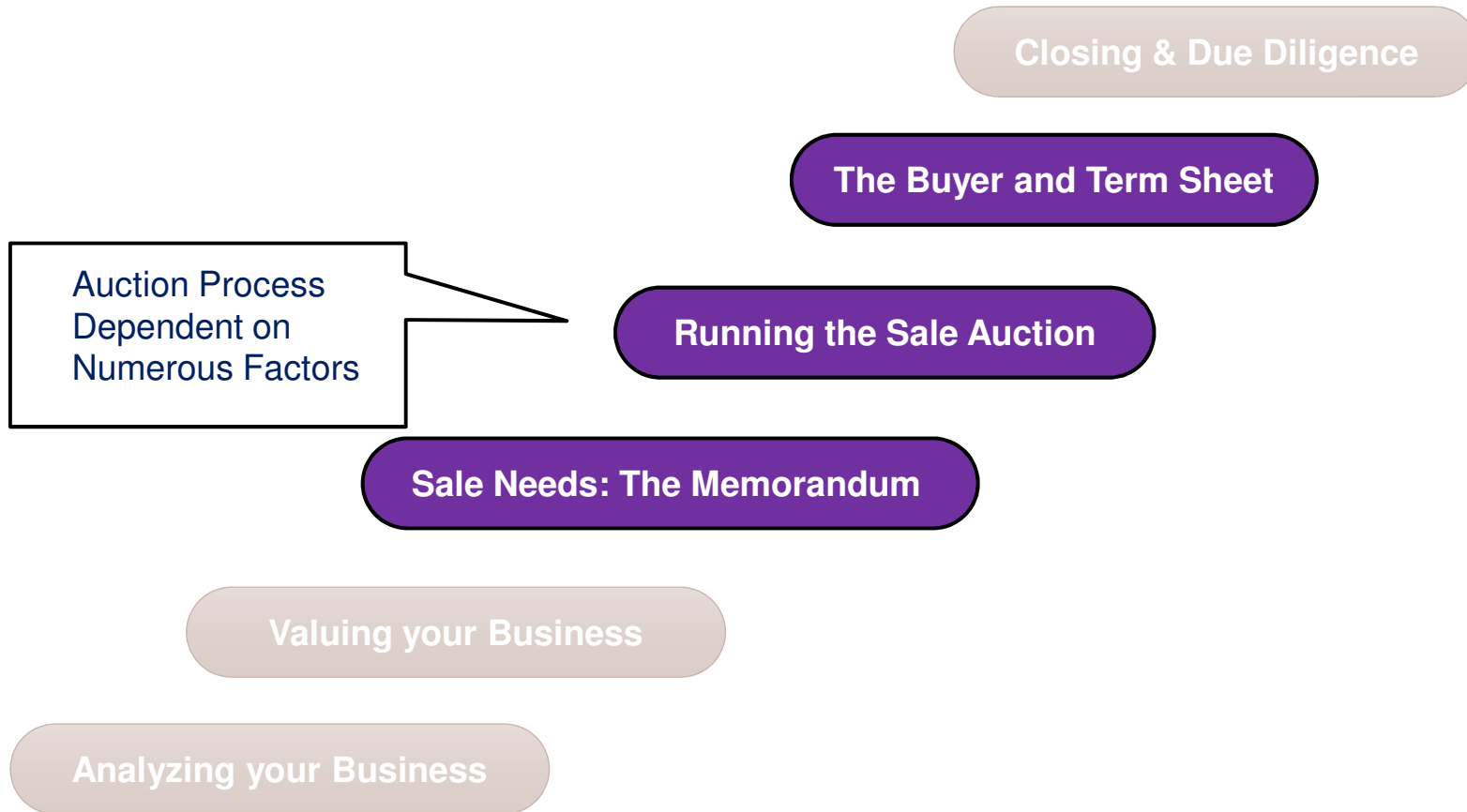
| Valuation Method                           | Description   |
|--|---|
| <b>DCF (DISCOUNTED CASH FLOW ANALYSIS)</b> | <ul style="list-style-type: none"> <li>• Project the company's future unlevered cash flows and calculate the present value of those cash flows and the terminal value using an appropriate cost of capital and terminal value methodology</li> <li>• This analysis is heavily dependent on cash flow and growth characteristics of the company and the terminal value assumptions</li> </ul>  |
| <b>PRECEDENT TRANSACTIONS ANALYSIS</b>     | <ul style="list-style-type: none"> <li>• Analysis of recent mergers and acquisitions transactions that have occurred in relevant industries and implied multiples paid for comparable companies</li> <li>• Reliability depends on the number of precedent transactions and their levels of comparability</li> <li>• Market cycles and volatility may affect market historical valuation levels</li> <li>• Individual buyer synergies and structure of transaction will also impact multiples</li> </ul> |
| <b>MULTIPLES METHOD</b>                    | <ul style="list-style-type: none"> <li>• The multiples approach is a valuation theory based on the idea that similar assets sell at similar prices. This assumes that a ratio comparing value to some firm-specific variable (operating margins, cash flow, EBITDA etc.) is the same across similar companies.</li> </ul>   |
| <b>LBO Analysis</b>                        | <ul style="list-style-type: none"> <li>• Determines the range of prices that a financial buyer would be willing to pay for a company based on target rates of return to equity (IRRs) and a leveraged capital structure</li> <li>• This analysis is heavily dependent on the cash flow profile of the asset, its leveragability, and the exit value assumptions</li> </ul>  |

# Internal Due-Diligence

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- This is an essential step when exiting a regulated business
- What is “internal due diligence”?
  - Real estate analogy – Is your house maintained, updated, and staged to sell?
  - Failure to address any of these categories can affect value
    - “Maintained” – Ongoing Compliance
    - “Updated” – Modern Systems, ERP, etc.
    - “Staged” – Clean and Presentable / Problems Areas Addressed

# Presenting Your Company and Receiving Offers





# Timing, Process and Responsibilities

The M&A Advisor delivers a number of specific materials and facilitates a number of processes necessary to complete the capital process

| M&A ADVISOR RESPONSIBILITY   | PROCESS COMMENT  |
|--|--|
| 1. DEVELOP FINANCIAL MATERIALS NECESSARY FOR PROCESS               | <ul style="list-style-type: none"> <li>Integrated, dynamic model and management presentation and numerous other materials</li> </ul>     |
| 2. CREATE, MAINTAIN DUE DILIGENCE CENTER                           | <ul style="list-style-type: none"> <li>Online diligence folder to provide select, discreet access to Company's diligence data</li> </ul> |
| 3. DEVELOP AND UPDATE CAPITAL CONTACT LIST                         | <ul style="list-style-type: none"> <li>Consistently contacts new Capital sources for a fresh pipeline</li> </ul>                         |
| 4. FACILITATE MEETINGS WITH CAPITAL CONTACTS                       | <ul style="list-style-type: none"> <li>Organizes and guides the strategic and tactical process of Capital conversations</li> </ul>       |
| 5. MANAGE FINANCING CONVERSATIONS TO SELECT APPROPRIATE PARTNER(S) | <ul style="list-style-type: none"> <li>Works with the Company to sort Capital partner(s) with the Company's consent</li> </ul>           |
| 6. CLOSING PROCESS   | <ul style="list-style-type: none"> <li>Collaborate to close the Capital</li> </ul>   |

# Transaction Stages

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## STAGE 1 - Term Sheet/LOI

- Terms and Structure
  - Equity or assets?
  - Price (lump sum or note)?
  - Closing date?

## STAGE 2 – Transaction Checklist

- Outline your transaction
  - What has to happen, in what order, and when?
  - Without this, can miss something that will delay or derail transaction

## STAGE 3 – Transaction Due Diligence

- Real estate analogy – buyer’s house inspection
- Will look at maintenance, updates, and staging
- Timing: under LOI and during drafting of purchase agreements
- Shortfalls in any of these areas could lead to a downward price adjustment, less favorable terms, deal delay, or even failure

## STAGE 4 - Purchase Agreements

- Defines all the details of the transaction: legal, financial, representations, warranties, etc.

# Closing the Sale

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# Legal Aspects of Closing the Sale

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## STAGE 5 – Closing

- Execution of documents; money changes hands
- You want to close as soon as possible

## STAGE 6 - Seller's Post-Closing obligations

- Representations and Warranties
- Restrictive Covenants
- Indemnity
- Taxes
- Ongoing consulting or employment

# Keys to a Successful Process

- The M&A Advisory process largely requires the successful execution of three key factors
- **Know the Client and its business model**
  - What's the Company's source of revenue?
  - What are the growth drivers of the Company's market?
  - What are the core strengths of the Company's management team?
  - What are the relevant regulatory and competitive pressures?
  - Is there significant customer concentration?
  - What role does technology play in driving competitive forces, customer interaction and supplier base?
- **Understand the target investor's profile**
  - What stage investment firm (Credit, Private Equity) is best suited to the Company's desired capital?
  - What is the sweet spot size investment desired by the investor?
  - What geographic region best fits the Company's profile?
- **Diligent process execution starts and ends with ABC**
  - ABC: Always Be Communicating --- with Client and capital targets
  - ABC: Always Be Contacting --- Relentless focus on growing list of potential capital contacts
  - ABC: Always Be Closing --- Focus on driving process forward towards closure

# Typical Challenges

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- Owner's expectations of value not realized
- Surprise need to sell quickly (health, other)
- "I know a few who will buy my company...."
- "Oh S\*\*\*!" I didn't know about that....."
- Owners working for a new boss
- Legal landmines
- Industry timing/issues

# Key Points

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- Always be prepared
- Timing may not be on your side
- Start preparing now!
- Hire experts when you don't know

**KEY** POINTS

# Your Next Steps

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- Conduct exit planning assessment
  - Enterprise valuation
  - Retirement planning
  - Personal transition planning
  - Company readiness assessment
- Begin preparing



# How to Reach Us

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