



# MAXIMIZING VALUE BY SELLING TO STRATEGICS™

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UNDERSTANDING STRATEGIC POSITIONING  
TO ACHIEVE AN EXTRAORDINARY EXIT

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NOV 2021 – CHIEF EXECUTIVE GROUP ROUNDTABLE

# THANK YOU

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For the opportunity to lead a **Roundtable Confidential Discussion**  
with fellow peers, resources and leaders...

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# ANDY HARRIS & ROB FOLLOWS

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MANAGING DIRECTOR, STS CAPITAL PARTNERS

- Former serial "hired gun" CEO of PE manufacturing roll-ups leading to Extraordinary Exits selling to strategics
- Led over 20 M&A transactions ranging from strategic acquisitions of privately-held companies and corporate carve-outs to selling to strategic buyers. Deal experience ranges from \$20M to \$670M, with total value exceeding \$1B in transactions. He has been on both sides of the strategic M&A process and has a deep understanding of both the buy-side and the sell-side.
- Active member YPO - M&A/Operating CEO speaker, adviser and Chapter board member
- Founded the Wildcat Mentor Society at University of Arizona



FOUNDER & CEO, STS CAPITAL PARTNERS; FOUNDING CHAIRMAN, ALTRUVEST CHARITABLE SERVICES

- Former CEO of Maritz Canada, AIM
- Led over a thousand M&A transactions, with a total transaction value of over \$100B.
- Active member YPO - including founding chapter chair; former Chair of the Global Deal Network; Founding Chair of the Executive Committee of the Social Enterprise Networks; serving on the networks committee of the international board of YPO for over five years and contributing to over 100 events as a YPO best of the best premier speaker.
- Founding Chairman of Altruvest Charitable Services, a Canadian charity which has contributed over \$10 million since its establishment.

# AGENDA

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## Today we will cover...

- Introducing STS
- Strategic vs. Financial Buyers
- Why Strategics Pay More
- Identifying Strategic Investors
- Case Studies
- Q&A

A photograph of a modern architectural staircase. The stairs are dark grey or black, and the walls are made of light-colored wood panels with vertical slats. A large, bright circular opening at the top of the stairs lets in a lot of light, creating a strong contrast with the dark steps below.

WE ARE  
**STS CAPITAL PARTNERS**

# WHAT WE DO

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## MAKING EXTRAORDINARY EXITS POSSIBLE™

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We are the expert guides for entrepreneurial business owners on the journey to achieving Extraordinary Exits.

Selling your business, often after years of personal investment, is undeniably emotional.

We know because we've been there. As strategists and entrepreneurs, we enable you to sell strategically to the people that buy strategically, anywhere in the world, achieving the maximum multiples possible, creating a lasting legacy and realizing true potential value for you.



# WHO WE ARE

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## A GLOBAL ADVISOR

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Our team has international reach accessing the highest levels of any organization by not only leveraging our extensive database, but also our personal relationships, and our memberships in senior executive level business organizations.

We connect with strategic investors around the globe.

## OUR TEAM

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- 25+ Managing Directors/Partners Globally
- 150+ Team Members
- 800+ Exclusively committed industry-specialist Advisors
- 3500+ Extended network of STS Global Experts and Advisors

## REPRESENTATION WORLDWIDE

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- Amsterdam
- Bahrain
- Barbados
- Calgary
- Dallas
- Delaware
- Denver
- Hong Kong
- London
- Los Angeles
- Mauritius
- Mexico City
- Miami
- Monaco
- Montreal
- New York
- Philadelphia
- Phoenix



# THE THREE PILLARS OF STS

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## MAKING EXTRAORDINARY EXITS POSSIBLE™

### EXPERT GUIDES

We're entrepreneurs helping entrepreneurs – we've been in your shoes. We're here to guide you on the journey to your Extraordinary Exit.



### SELLING TO STRATEGICS™ (STS)

Achieving maximum financial value in your transaction through Selling to Strategics.

### SUCCESS TO SIGNIFICANCE™ (STS)

Helping create legacy potential through our Success to Significance™ program, supporting charitable donations worldwide.



# STRATEGIC POSITIONING



# STRATEGIC VS. FINANCIAL BUYERS

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- Traditional financial services and i-banks teach us all that M&A is a financial, numbers driven, following industry multiples
- Financial buyers follow relatively strict models and are efficient. They buy low and sell high, ideally selling to a strategic investor
- Good deals...buy side and sell side are made for strategic reasons
- **Great** deals are underpinned by strategic integration driving value creation for the Buyer ... that sometimes are shared with the Seller
- **To sell to a strategic** takes a **collaborative, creative and entrepreneurial approach** to identify your real value to the strategic, beyond traditional industry multiples and traditional synergies
- How does a strategic buyer view your business? **Think through their lens.** What strategic value do you create or transform for them?

# SELLING TO STRATEGICS™

Strategically positioning/valuing a business with several international strategic buyers.

## ENTREPRENEURIAL & FAMILY BUSINESSES

75% of US economy  
95% of LATAM  
85% of EU  
85% of Asia-Pacific



## FINANCIAL BUYERS

Including:  
VCs  
PE funds  
merchant banks  
hedge funds  
special opf funds  
alt. asset inv funds  
equity buyout firms  
etc., etc.

**The 6Ds:**  
Death, Divorce, Disease, Disability,  
Debt, Disenchantment

## STRATEGIC BUYERS



# MAXIMIZE VALUATION

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Target the right strategic buyer, avoid the middlemen, and emphasize your unique, integrated value to deliver the maximum financial value possible for your business.

Creatively identify strategic buyers who believe in your business – and will pay optimal to acquire it.

## STRATEGIC VS. FINANCIAL BUYERS

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The objective of financial investors (private equity and others) is to pay as little as they can – with the intent of positioning assets to maximize value on their own pre-planned exit.

Strategic investors/buyers place more value on the **competitive advantages** of a business, which can be leveraged across their own business and channels.

- **PRODUCTS**
- **INTELLECTUAL PROPERTY**
- **MANAGEMENT SKILLS**
- **TECHNOLOGY**
- **CUSTOMERS**
- **GEOGRAPHY**
- **MARKET ACCESS**

This can be leveraged in an international environment.

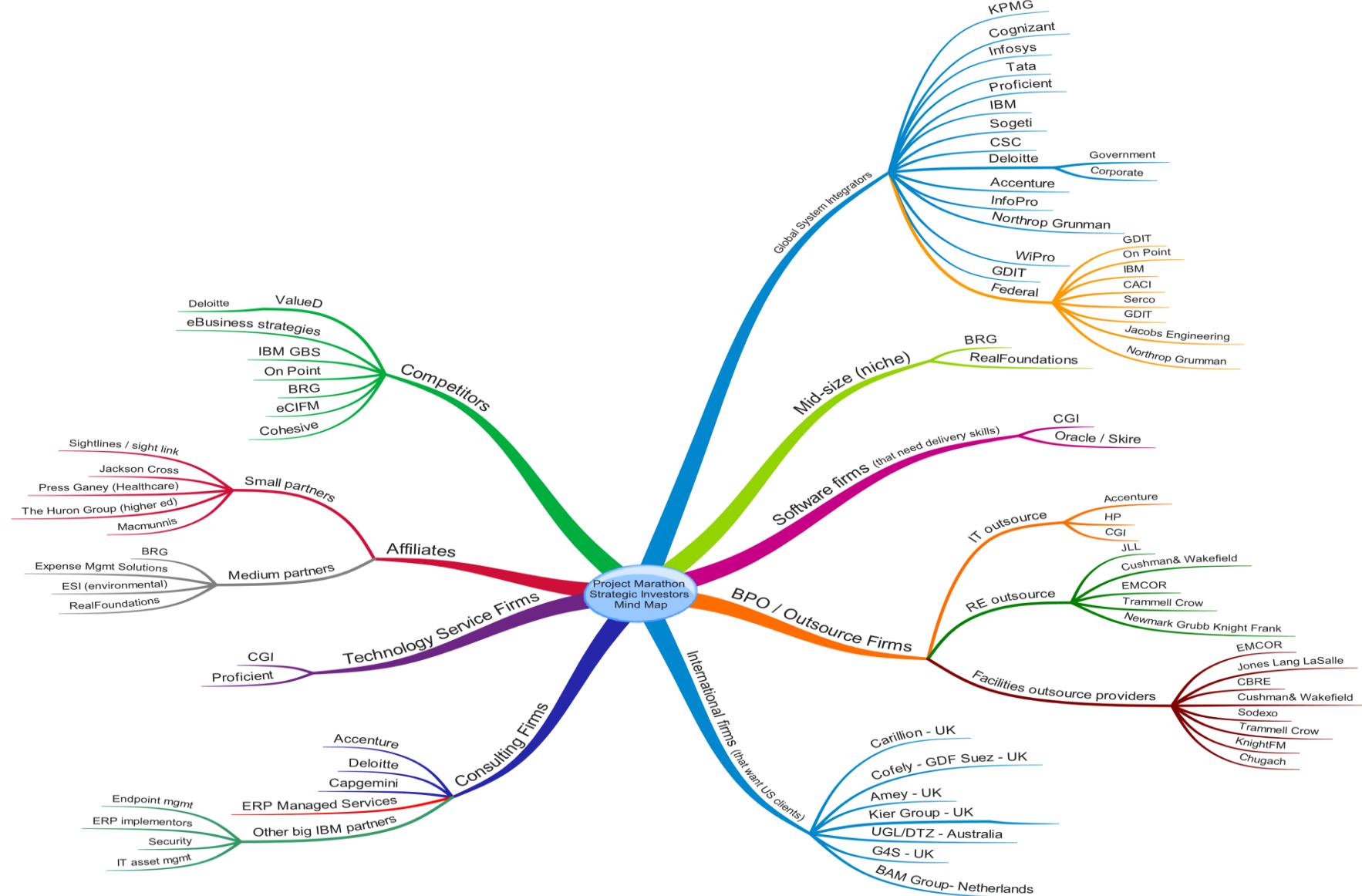
**International strategic investors** will pay a **premium** to access certain markets, resulting in higher strategic multiples for you as the client.

# IDENTIFYING STRATEGIC INVESTORS

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- What are the "Rembrandts in the Attic"? – i.e. with additional capital, what's possible? what capabilities, customers, markets do you have that a strategic buyer needs?
- Think through categories of strategic buyers and thesis for each:
  - ✓ National & international adjacencies
  - ✓ Competitors
  - ✓ Suppliers
  - ✓ Customers
  - ✓ Institutionals
  - ✓ Specialized firms in the space
  - ✓ Agnostic firms
  - ✓ Experienced & generalists
  - ✓ Conglomerates
  - ✓ Etc.
- Cross-pollinate categories to see if new ideas come forward

# MIND MAP: PROJECT MARATHON



# EXTRAORDINARY EXIT SUMMARY

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- What is driving the desire to sell all or a majority of your business?
- What are your required and preferred outcomes?
- What makes you a compelling acquisition for a strategic or financial buyer?
- What are your Rembrandts in the attic?
- Identify strategic categories/buyers and strategic financial buyers
- Run a competitive process
- It's not about a typical industry multiple (i.e. 6-8x EBITDA, or 1x revenue). It's about the real strategic value of your business to a buyer.
- Achieve an Extraordinary Exit – both valuation and required/preferred outcomes



# CASE STUDIES



## STRATEGIC DIFFERENCE

Achieved 700% increase on expected value through successful strategic process.

# PROJECT QUATTRO

## IMPLEMENTING AN EFFECTIVE M&A STRATEGY

### THE BUSINESS

- Privately-owned wireless retailer, successful national agent for one of the top U.S. carriers
- Solid track record of performance and assessing potential growth strategies
- Objective to add 30 stores to reach a total of over 160 locations

### APPROACH

- STS was retained to consult on the growth strategy and to secure a strategic buyer
- STS brought two international strategic buyers to the table
- The client benefitted from being able to learn first-hand what these investors valued in terms of strategic business drivers

### RESULT

- Over a 20-month period, STS brought in multiple strategic buyers, elevating the value by strategically managing a soft auction
- The final transaction was a 700% increase of original expected value.

# SELL-SIDE BEST PRACTICES

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## DO: TALK TO STRATEGICS EARLY (Project Quattro)

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- Engage strategics early and listen to what they value/need
- International strategics first –
  - Understand their business
  - Get them to "open their kimono"
  - International pays for the market beyond your firm
  - Cause local strategics to increase their valuations
- The art is falling in love with your strategic positioning
- The science is understanding the integrated value to the strategic (only buyer models count)

## DON'T:

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- Show up last minute
- Set a bidding deadline date
- Set valuation expectations
- Assume you know your value to them



## STRATEGIC DIFFERENCE

Creativity was the key that gave a 300% increase in the valuation.

# PROJECT MARATHON

## CREATIVITY IN FINDING UNIQUE STRATEGIC BUYERS

### THE BUSINESS

- Privately-owned consulting, technology implementation and support services company
- An entrepreneur who had grown the company over a 20-year period.
- Other mainstream accounting firms and M&A firms who had said that his desired outcome would be difficult to reach.

### APPROACH

- STS carefully managed multiple potential buyers to ensure the client could entertain all offers, without granting exclusivity until there was complete visibility into all available options.
- STS found a unique buyer that could utilise the revenue of the business to strengthen their core business.

### RESULT

- By identifying strategic buyers to drive maximum value, STS were ultimately able to bring seven offers to the table. By showing synergies in a strategically managed process, we increased the value of the business to over double our client's stretch "dream" objective.

# SELL-SIDE BEST PRACTICES

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## DO: THINK CREATIVELY/CONSIDER ADJACENCIES

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- Brought 7 offers to the table - showed them the synergies during a strategically managed process - increased the value of the business to over double client's stretch "dream" objective
- The value in the soft auction was driven by an Alaskan Indian tribe with \$2B of cash
- Gov. K's = largest potential; minority corp. owner can win all
- Negotiating a percentage of the strategic buyer's upside (minority sales projection) maximizes value

## DON'T:

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- Only consider buyers in your industry
- Only consider buyers in your country/region



## STRATEGIC DIFFERENCE

Achieved more than double the original offer for the client.

# PROJECT STANLEY

## UNLOCKING HIDDEN VALUE

### THE BUSINESS

- 40+ year-old family business as a small sign company
- A leader in visual communications, anchored in the safety and security industry.
- Competitive advantage - create customized identification products within 24 hours
- Offer on the table

### APPROACH

- Owners retained STS to manage the process and help identify other strategic buyers
- Through our unique process, STS unlock the true value of this business.
- STS and owners planned effective exit strategy that increased the value of the business

### RESULT

- A strategic financial buyer successfully bid who was one of the original parties that approached the company directly
- STS soft auction process and negotiations led to a valuation of more than double the bidders original offer



# MAXIMIZE VALUATION SELLING TO STRATEGICS™



# THANK YOU

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## CONTACT

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**MAKING  
EXTRAORDINARY  
EXITS POSSIBLE™**

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THANK YOU

