

# ROLL UP TO SELL OPPORTUNITY OVERVIEW

GROWTH THROUGH STRATEGIC ACQUISITIONS, LEADING TO AN EXIT.

STS Capital Partners is a global M&A firm like no other. We are the expert guides for entrepreneurial business owners on the journey to achieving Extraordinary Exits™. By selling their business strategically to the people that buy strategically and cutting out the middlemen, they can achieve maximum financial value, create legacy potential, and realize true potential value. That's an Extraordinary Exit.

Often, however, many mid-market private companies are not immediately ready for the international stage, in that they want to grow by acquisition prior to a sale. We have developed a product that includes a proprietary strategic framework that allows owners to grow their business to a sale-ready state.

The Roll Up to Sell process/product is of benefit to clients when they are considering acquisitions to grow their size, on their path to a divestiture transaction. STS has worked with a number of clients to provide strategic advice on roll up strategies and provided coaching on various deal structure options.

If an STS Advisor has a client that he/she feels would benefit from STS' Roll Up to Sell advisory services (see qualifying questions within) and this client meets STS' preferred mandate profile (attached) but is not currently ready to sell, then STS has the opportunity to help take this client through Roll Up to Sell.

The initial phase is mainly internally focused, i.e. getting an in-depth understanding and objective viewpoint of the potential client's business elements, structure, business health, growth opportunities in the sector and strategic value drivers. The next phase, will shift the focus externally, including commencing early conversations with potential strategic acquisitions.

## BASIC MODEL

The objective of the Roll Up To Sell Product is accelerated enterprise value creation through acquisitions with the intention of shareholder wealth creation through an exit in a 2 to 4 year time frame. STS is committed to the journey to create significant value, and to working through the different phases, which include a strategic planning phase, an acquisition phase, then followed by sale of the business. The client will develop a 2 to 4 year plan, STS Capital Partners will come in every quarter to coach and hold the team accountable for the plan, with STS Capital Partners being active when acquisitions are made and during the sale of the business. The targeted enterprise value (EV) is determined at the initial strategy session. Before the initial phase of Roll up to Sell commences, the potential client and mandate opportunity needs to pass STS' Acceptance Review Committee and STS needs to have an eventual sell-side mandate signed prior to moving forward.

## ROLL UP TO SELL PRODUCT SUMMARY

- Roll up to Sell is a hands-on strategy development process that plugs into the client's business with a lens that brings the M&A process to the forefront.
- Roll Up to Sell helps entrepreneurs and family business owners define growth options and how they are valued, the potential timing of different growth stages and, ultimately, when to divest.
- This is a creative corporate consulting process that may or may not result in a transaction.
- STS becomes a vital interface with a firm, its industry, potential firms to acquire and strategic investors, and we develop a strategy that brings that valuable input to the client.
- Creative and flexible process that will contribute in some form to corporate development.
- Will provide clients with a concise discussion and presentation on what the market is telling them, information rich, answering questions such as:
  - Are we moving in the right direction towards a transaction in 2-3-4 years?
  - What are investors looking for?
  - What is strategic, and what isn't?
  - Are we on the right path to support maximizing value?

# QUALIFYING QUESTIONS FOR POTENTIAL CLIENTS

## General questions to ask potential clients (private business owners) to see if there could be an M&A opportunity:

1. Do you have a succession plan (family, internal, external)? What is the timing?

2. Are you considering selling, acquiring or merging with another organization?

- (If selling) Why are you planning to sell your private business? (e.g. the 6D's: death, divorce, disability, disease, debt, disenchantment... or succession, or another reason?)
- What kind of timing are you thinking? (ideally 2-3 years out – to adequately prepare)

3. Are you the main decision-maker in taking your business to market?

4. Have you taken your business to market in the past?

- Are you currently working with/have you worked with an M&A advisor?

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## Additional qualifying questions and information to provide to get a better sense of readiness to take to market:

5. Gain clarity on focus of business, i.e. industry sector, single or multiple verticals, number of years established, key market differentiators, overall competitive landscape, etc.

6. Do you have audited financial statements?

7. What is revenue and operating profit: last year and projected this year? (To test against STS' preferred mandate criteria)

8. Estimated value (enterprise value) of the business, e.g. the minimum and maximum valuations now and in next 12-24 months (if known).

9. Is there value in the business that strategic investors will pay more for than financial buyers? How do you identify what could be strategic (IP, systems, processes, etc.)? What kind of metrics do you use?

10. Is the business ready for sale? Why do you think that?

11. What would be the desired outcomes from a transaction?

12. Are you, as the owner, ready to put in the time and money to prepare for and support a successful transaction?

13. What is the projected timing to sell?

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## Additional qualifying questions and information to provide to get a better sense of readiness to Roll up to Sell:

14. What size are you now (for example, above \$30M in Revenue)? What size will you be post roll up (for example, over \$100M)?

15. Please list the acquisition targets you have in mind and their size, as well as others that you think might be out there, and how do they turn you into a strategic acquisition by someone else?

16. Do you have a scalable platform that you can bolt acquisitions onto and is it technology supported? Does it drive significant sales or cost synergies?

17. Describe your vision for the play in your market.

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For more information on how STS Capital Partners can assist in selling your business and make an Extraordinary Exit possible, please contact [ExpertGuides@stscapital.com](mailto:ExpertGuides@stscapital.com); or visit [stscapital.com](http://stscapital.com)