Interviewing for a job envisioned by someone else? Instead create a job by
- hiring yourself
- finding a company to acquire and
- transforming the company into a disruption machine
REVIEW OF ALTERNATIVES REGARDING THE M&A COMPANY

• Long-term Plan
  – One Company vs. Quick Flip
  – Growth (Venture) vs. Operational (PE) Focus
  – Learning Step - Combination of above

• Company Size and Stage in Life Cycle
  – Start-up/Early Stage (<$2-3 million in sales)
  – Workout (troubled company)
  – Growth Company
  – Stagnant Company

• Industry Preference
  – High Tech vs. Low Tech
  – Service vs. Product
  – Commercial vs. Industrial vs. Retail

• Marketing vs. Finance vs. Production Focus
OPPORTUNITIES FOR INNOVATION EXIST IN NON-OBVIOUS PLACES
IDENTIFY AND GROW PLATFORM COMPANIES

• ProLine Services – 2 years
  – Sold to TRN
• PartsZone/Stratolift – 4 years + ongoing
  – Sold to Private Equity
• Blue Fish Labs – 1 year
  – Sold to APPL
• RedZone Robotics, Inc. - 9 Years + ongoing
  – Sold to Private Equity
• TrueLearn Inc. – 3+ Years
  – Sold to Private Equity
MY "INNOVATION OPPORTUNITY FORMULA"

- Research and Find a Great Market Opportunity through Distressed Business Acquisition and M&A Due Diligence
  - Big Problem
  - Acute Customer Pain
  - Enormous Consequences to Failure
  - Innovation results in a Pain Killer

\[
\nabla \cdot D(r, t) = \rho, \\
\nabla \times H(r, t) - \frac{\partial}{\partial t}D(r, t) = J, \\
\nabla \times E(r, t) + \frac{\partial}{\partial t}B(r, t) = 0, \\
\n\nabla \cdot B(r, t) = 0. \\
\n\]

\[\text{Kill Pain!}\]
LEVERAGE YOUR UNIQUE PRODUCT DEVELOPMENT SKILLS TO DISRUPT MARKETS IN NON-OBJVIOUS PLACES

Underground Infrastructure Asset Management

From

To

Physician & Medical High Stakes Licensing Exams

From

To
HOW TO FIND ACQUISITION OPPORTUNITIES

• Building your network - the Pittsburgh deal flow
• Lining-up your financing
  – 60/40 equity share
  – Search fund
  – Commitment letters
• What’s out there
  – Young, undercapitalized companies with new technology
  – Troubled companies and turnarounds
  – “Living Dead” in traditional industries (older owners)
  – Job shops in disguise
• What we found
  – Two type of owners
  – Examples
CHANNELS FOR IDENTIFYING POTENTIAL ACQUISITIONS

- Direct Mailing - SIC code search
- Entrepreneurial support organizations
- Networking within the professional community
- Bankruptcy attorneys, bank workout groups
- Business brokers - (there is a need for a good one in Pittsburgh)
- CMU/University of Pittsburgh
- Company divisions and product lines
- Industry roll up
- Free press
WHAT TO DO WHEN YOU MAKE CONTACT

• Gauge owner’s reason for selling and hot buttons
• Ballpark valuation
  – EBITDA/Cash flow multiple
  – Strategic valuation
  – Asset value
• Identify exit strategy
• Don’t waste time - decide quickly
• Preliminary Letter of Intent - legitimizes the process
• Preliminary due diligence
  – How are key company assets protected (leases, employees, patents, etc.)
  – Potential shareholder return
• Consult-to-buy strategy
STRUCTURING AND CLOSING THE DEAL

• Full due diligence
• Explore several different structures with the owners
• Secure a good lawyer who can help drive the process
• Develop a good business plan
  – Listen to your gut
  – Use historicals in proforma
• Solidify financing and bank approval
• What can you expect to borrow
  – Owner financing
  – Bank financing
  – Receivables (80%)
  – Assets - Inventory and Equipment (50%)
  – Plant improvements (65%)
• Personal guarantees
• Vendor negotiations
• Raise enough for closing costs & working capital in case you slip
AFTER THE DEAL CLOSES – NOW WHAT DO I DO?
EXECUTE, EXECUTE, EXECUTE

• Deal misrepresentations – $ back from previous owners
• Property lease – Forced to buy into owning the property
• Joe Kovalchick – No railroad track
• Charlie Daniels – Original manager left
• IBEW – Needed to fight off a union
• Theft – Constant break ins
• Loss of our largest customer - Huntsman chemical
• Flooding – The day of the due diligence walk through
PEARLS OF WISDOM

• Build a company, not just a product or a feature to a product
• M&A and venture development is messy – difficulties and failures must be anticipated
  – “Pivot” quickly if things aren’t working
• Potential value in remaking old industries
  – Stodgy
  – Blocking & tackling
  – Look hard for hidden value
• Get the owners out
• Hire talent – Make decisive HR and management decisions
• There are advantages to having a partner in the beginning
• Be bold, take risks, and have fun

Express yourself by mastering the nexus of Entrepreneurship and M&A. Opportunities for disruption and innovation are everywhere, get into the game.