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**Prepare Your Business:
Company Transition-Exit Strategies**



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The slide has a dark grey header with the ATA TENT CONFERENCE logo on the right and a collage of tent images on the left. The main content area is white and contains the title 'Prepare Your Business: Company Transition-Exit Strategies' in a large, bold, black font. Below the title is the ZRC logo, which consists of the letters 'ZRC' in a bold, orange font inside a white square with an orange border. To the right of the logo is the contact information for Kevin Zwierzchowski, including his name, company name, email address, phone number, and website URL.

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Outline

- Who is Kevin Z?
- Current Market/Economy
- Strategy and Transactions
 - Planning
 - Common Transaction
 - Sales Process
 - Valuation
 - Terms to Understand
 - Timeline
- Questions

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Kevin Zwierzchowski - “Kevin Z”

- “Finance Guy” – Started career in Public Accounting – Deloitte (CPA)
- Freedman Equipment – Brambles Equipment Services
- Karl’s Event Services – Arena Americas
- Classic Party Rentals
- Z Rental Consulting - Vendo Rental Solutions


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Current Market / Economy:


- **Potential Buyers:**
 - Consolidation/Strategic Buyers
 - Individual Buyers
- **Interest Rate Environment**

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Planning:	Common Transactions:	Sale Process:
<ul style="list-style-type: none"> • Developing relationship with trusted advisors • Corporate Structure • Tax Planning • Real Estate • Post transactions involvement • Developing a 2nd in command • Addressing financial performance/trends • Assessing quality of asset base • Presentation of the operations 	<ul style="list-style-type: none"> • Next generation take over business • Sell to current employee • Sell to outside third party 	<ul style="list-style-type: none"> • Work with the owner to understanding the business • Understand the owner's goals in exiting the business • Obtain financial information on the performance of the business • Additional information on the equipment, customers, market, infrastructure, employees, etc. • Agree on the value expectations of the business, along with the structure of a transaction

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Valuation:


There is no simple, mathematical formula to value a business

- Factors used to evaluate businesses
 - Revenue base
 - Profitability
 - Financial performance trends
 - Asset base
 - Industry multiple comparisons
 - Buyer return analysis
 - Strategic factors
 - Niche factors
 - Geographic factors
 - Infrastructure factors


Terms to Understand:

- Net Income vs EBITDA
- Adjusted EBITDA
- Normalizing Adjustments
 - Owner Personal Expenses
 - Post Transaction Rents
 - One-Time Expenses
 - Capitalized vs Expense – Equipment Purchases
- Cash Flow less Capex (Capital Expenditures)
- Seller Financing

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- Timing of the Process
- Questions?



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Fiesta Tents Ltd : Alexandre Renaud

- Purchased by employee (leverage buyout) in February 2022
- Financial structure for purchase
 - Initial share purchase as minority shareholder – prior to purchase
 - Solvability of company and personal finances at time of purchase
 - Company cash flow situation
 - Debt structure following purchase (my ideal) :
 - 2/3 corporate debt
 - 1/3 personal equity
 - Determining value :
 - Net Assets/Inventory value
 - Shareholders equity
 - Multiple of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)
 - Purchase of shares VS assets
 - Same company or new legal entity
 - Legal representation of both parties
 - Legal fees

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Fiesta Tents Ltd : Alexandre Renaud

- Competitive offers :
 - Potential (competitors or others)
 - Existing (competitors or others)
- Shareholders agreement (prior to purchase)
 - Non-compete
 - Shotgun clause
 - First right of refusal
- Financing :
 - Personal investment
 - New investors (partner)
 - Corporate loan
 - Balance of sale
- Mechanics of sale :
 - % Cashflow strait from company
 - In my case +/- 25%
 - % New injection
 - In my case +/- 30%
 - % Loan - leverage purchase loan
 - In my case +/- 45%

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**Fiesta Tents Ltd : Alexandre Renaud**

- Management aspects:
 - Employee with significant participation and role in company management prior to purchase
 - Knowledge of inventory value
 - Due diligence
 - Legal Representations
 - Transition of power
 - Preparation for transition years ahead of time – if possible
- Aftermath of purchase :
 - Going from employee and mid-level manager to owner and president “ The BOSS”
 - Legal authority over company
 - Government
 - Bank
 - Others
 - New tasks and responsibilities
 - Employee acceptance of new role/authority
 - Help with transition – employment agreement with prior owner
 - Covenants, personal guarantee and ratios to respect (bank or investors oversight)