

# The American Dream 3

**Mike McCarthy**

**Marathon Capital Advisors**

**4 Park Plaza**

**Wyomissing, PA 19610**

**[mmccarthy@vrmarathon.com](mailto:mmccarthy@vrmarathon.com)**

**610-898-8086**

**November 4, 2016**



**OWN YOUR OWN BUSINESS**

**~And then.....**



# Why? When? To Whom?

- **Trigger**
  - Life Event
  - Partnership Dissolution
  - Business Growth, Change, Capital Need
  - Plan All Along
- **When**
  - NOW
  - 2, 5, 10 Years
- **To Whom**
  - Outside Buyer – Entrepreneur, Investor, Liquidator
  - Inside Buyer – Partner, Employees
  - Family



# Expectations

- **Seller**

- Business Value (vs Market Price) and \$\$ Need
- Time to Get to Closing
- Continuity of Business

- **Buyer**

- Access to Information for Due Diligence
- Deal Structure
- Fair Price Based on Cash Flow & Other Factors



# Letter of Intent/Terms & Conditions

- **Identify the Parties** – Legal Names
- **Briefly Describe Transaction** – What is included
- **Outline the Purchase Price & Allocation**
- **Specify the Deposit Amount** (If any)
- **Specify a Duration for the Offer** – Is it exclusive?
- **Outline Information Needed for Due Diligence**
- **Other Contingencies**



# Agreement of Sale

- **Begin with LOI Information** – Legal names, Scope of transaction
- **Detail the Purchase Price**
  - Allocation among: Assets, Facility, Real Estate, Goodwill, Intellectual Property, Employment Agreement, etc.
  - Payment: Cash/Wired amount, Note or Loan from Seller (Terms!), Escrow funds, Earn out, Installment sale agreement, etc.
- **Closing Date and Time and Place**
- **Contingencies**
- **Representations & Warranties**
- **Termination**
- **And MORE**



# Drivers of Valuation

- **Primary**
  - Size of Revenue
  - Historical & Projected EBITDA
  - Revenue Stability
  - Margin Percentages
  - Return on Asset
  - Growth Potential
  - Location/Target Markets
  - Customer Concentrations
- **Secondary**
  - Financial Controls
  - Asset Quality
  - Revenue Concentration
  - Competitive Landscape
  - Asset Turns
  - Staff Deficiencies
  - Material & Equipment Demands
  - Quality Control
  - Facilities
  - Regulatory Issues



# Key Takeaways

- **The LOI *begins* to outline the Agreement of Sale.**
- **The Agreement of Sale is the ruling document.**
- **One best practice:  
Have a team of **EXPERIENCED** advisors to help step you through the process.**





**QUESTIONS?**



# THANKS!!

**Mike McCarthy**  
**Marathon Capital Advisors**  
**4 Park Plaza**  
**Wyomissing, PA 19610**  
[mmccarthy@vrmarathon.com](mailto:mmccarthy@vrmarathon.com)  
610-898-8086

