Mergers & Acquisitions Report 2024

Jackson Payne
INVESTMENTS LLC

BANK OVERVIEW

We are an independently licensed and registered investment bank and placement agent. Our team specializes in helping business owners sell their companies to realize their dream exits in change of control transactions.

We add value in the following types of transactions: private equity roll ups, leveraged buyouts, strategic acquisitions, financial restructurings, majority control and minority non-control transactions.

We work with Middle-Market or Lower-Middle-Market founders/business owners/majority shareholders with operating companies generating $10M-$500M in annualized revenue seeking liquidity via a financial or strategic sale.

Meet Our Team

Walter Jackson

Managing Director

Mr. Jackson currently holds series 7, 63, 66, and SIE registrations with FINRA.

Check the background of this investment professional on FINRA's BrokerCheck.

Isaiah Payne, MBA

Managing Director

Mr. Payne currently holds his Series 7, 79, 63, 65, and SIE registrations with FINRA.

Check the background of this investment professional on FINRA's BrokerCheck.

Problems We Solve

THE BIG IDEA

We assist entrepreneurs in exiting their businesses **at the highest possible valuation**, helping ensure a sale to the right buyer while maximizing financial returns.

Seller's Want to Protect

01 THE BRAND

02 THE EMPLOYEES

03 THE BUSINESS

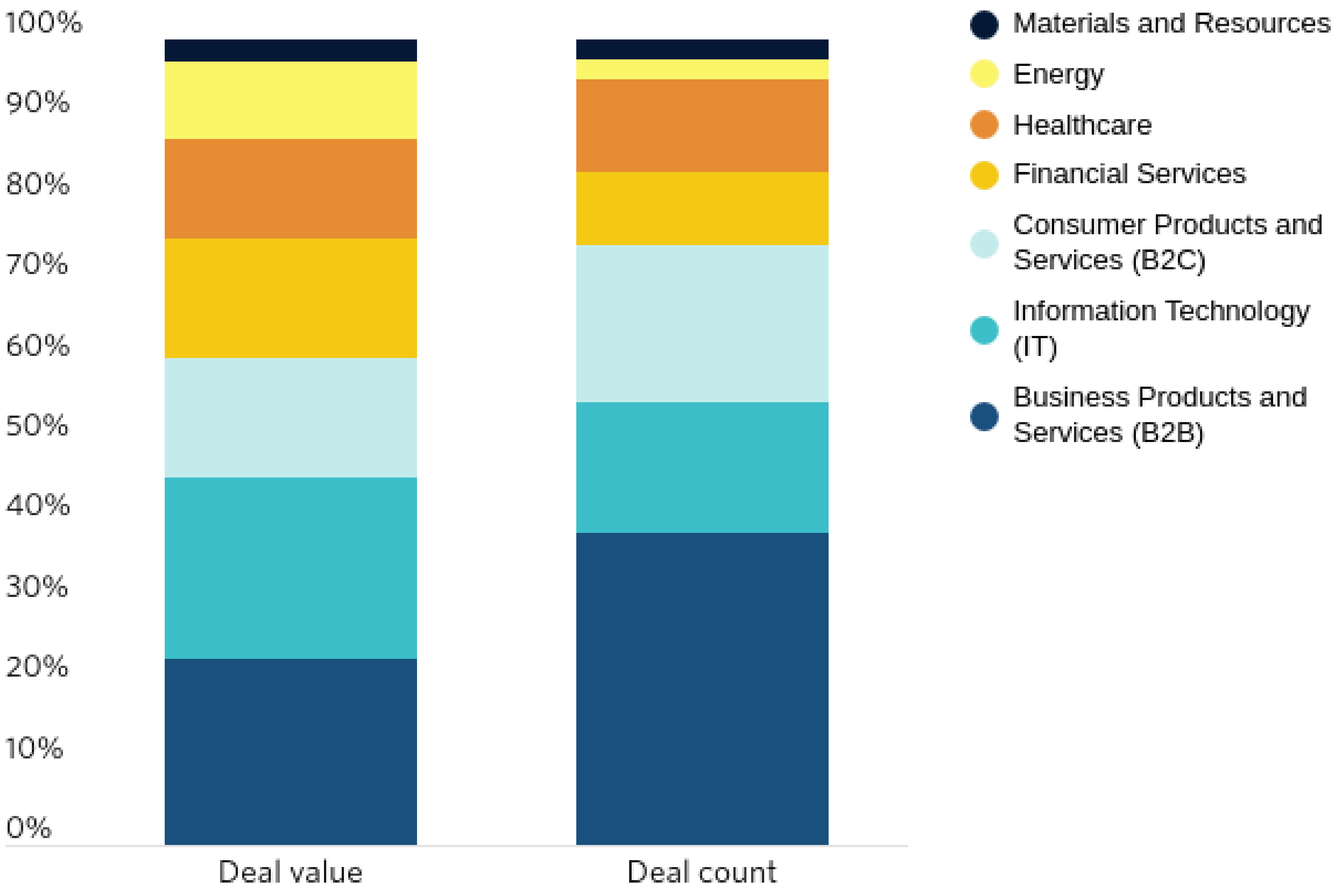
04 WITH FAVORABLE FINANCING

M&A 2024: The Rebound

In 2024, private equity faced challenges such as a decline in fundraising momentum, low asset valuations, and elevated debt costs. Nevertheless, there are promising signs ahead, including the potential for more interest rate cuts, political stability, and indications of recovery in mergers and acquisitions (M&A).

- Falling interest rates and easing inflation could invigorate PE Fund managers and lead to an increase in exit activity and capital recycling
- It is widely expected that the build-up of dry powder and the backlog of exits will begin to clear as M&A picks up in 2025. [1]

B2B ranks top US M&A sector for 2024*



Source: PitchBook data
*Extrapolated deal values
As of Dec 19, 2024

Share

[1] Prequin "Private Equity in 2025: the outlook for fundraising, deals, and performance

PitchBook

VALUATIONS

[1] PitchBook Q3 Global M&A Report

01

The M&A market can anticipate a second wave of lower borrowing costs, this time influenced by policymakers rather than lenders. While the duration and extent of rate reductions are yet to be determined, they are expected to surpass the 70-100 basis points already implemented by lending markets. This should help maintain the momentum in M&A volumes for at least another year, provided that the major economies can steer clear of a severe downturn.

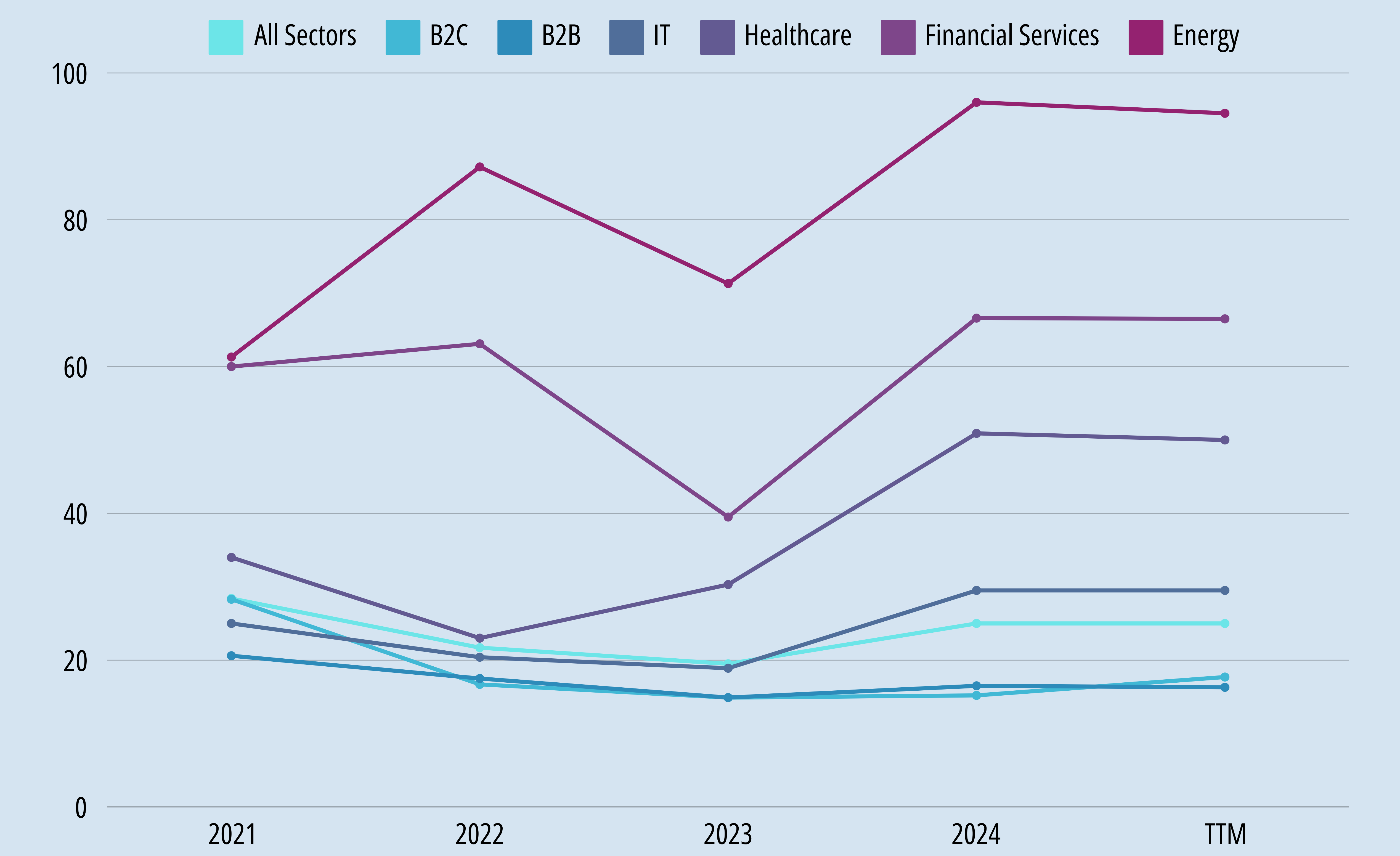
02

The disparity between publicly traded multiples will inevitably narrow, and if it shifts in favor of public valuations, there is significant potential for M&A dealmaking and private company valuations to rise. Recent data indicates that these two markets are diverging, creating a nearly historic gap, and we believe it is just a matter of time before a bullwhip effect influences private company multiples, driving them upward. [1]

03

Around 86% of all mergers and acquisitions involve private companies, while approximately 76% of fully disclosed M&A transactions are valued at less than $100 million. [1]

Median Deal Size By Sector ($M)



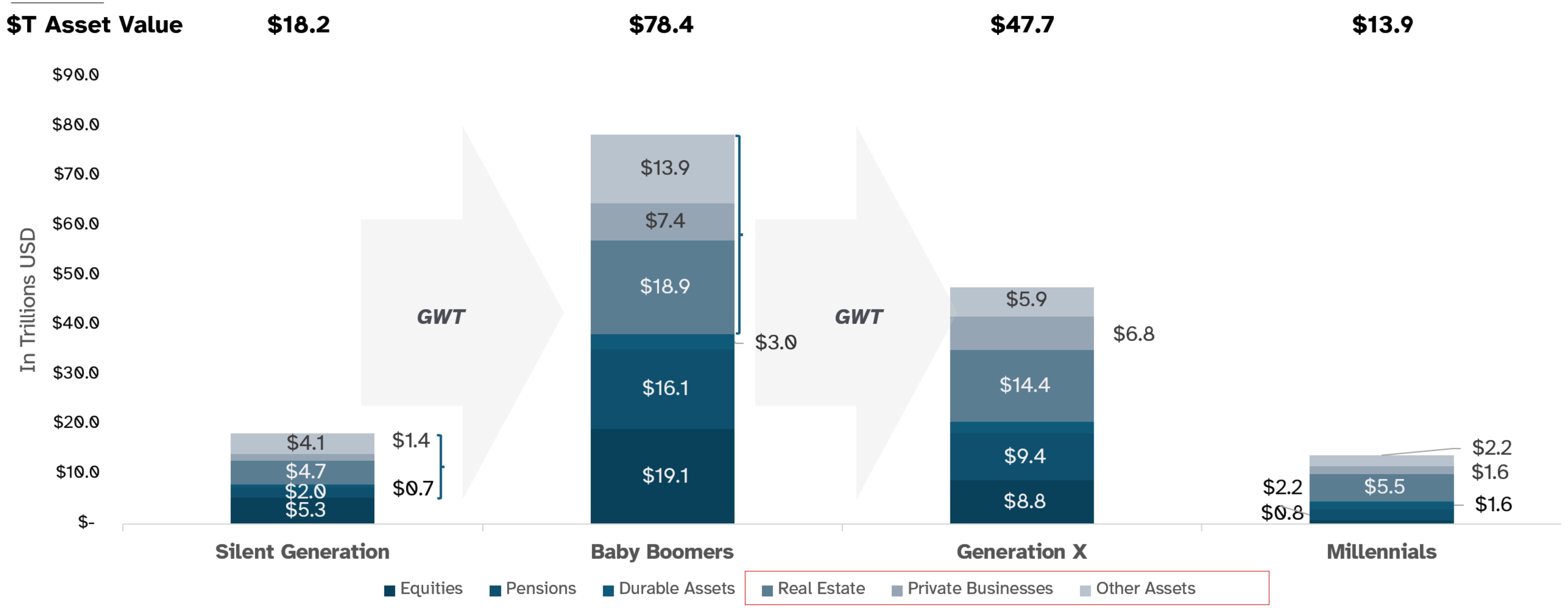
We expect deal sizes across all sectors to continue trending upward as inflation softens, and borrowing costs are reduced. [1]

Median Deal Size across all Sectors is $25M.

As of 9/30/2024 Pitchbook*

[1] PitchBook Q3 Global M&A Report

Baby Boomers hold half of U.S. wealth, with over 50% of assets set for transfer via small and medium-sized business ("SMB") deals



Notes: As of the fourth quarter of 2022. The total amount accounts for liabilities, but the individual asset categories do not account for liabilities and do not add up to the $140 trillion total. The total assets when not accounting for liabilities is $158 trillion. Pensions include the present value of future benefits as well as the value of annuities sold by life insurance companies.
Source: Federal Reserve

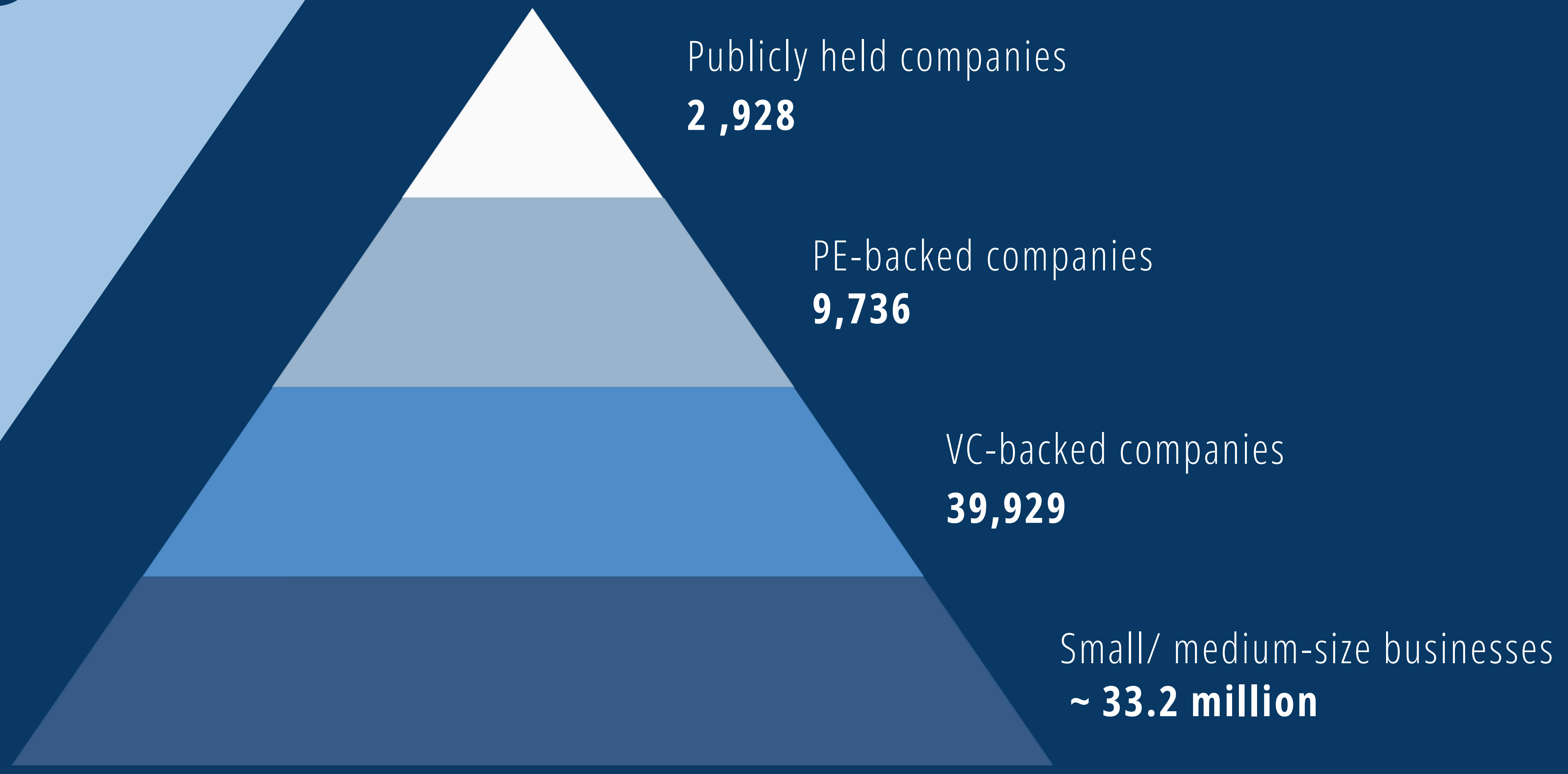
As of 2024, all Baby Boomers are 60 years old or older and are rapidly approaching retirement.

GREAT WEALTH TRANSFER

73% of privately held companies in the US would like to transition within the next 10 years equating to a $14 trillion opportunity.

U.S. Companies by Backing Type

- The US is home to ~33.2 million small to medium-sized businesses representing $38.66 trillion in sales, comprising 99.9% of all businesses in the United States, and ~44% of US GDP. [1][2]
- Of all privately held companies nearly 6.5% (2.1M) achieve revenue between $5 million and $100 million, and 0.4% (132k) reach revenue levels exceeding $100 million. [1]
- The large volume and variety of non-backed companies make them attractive potential acquisition targets. [3]



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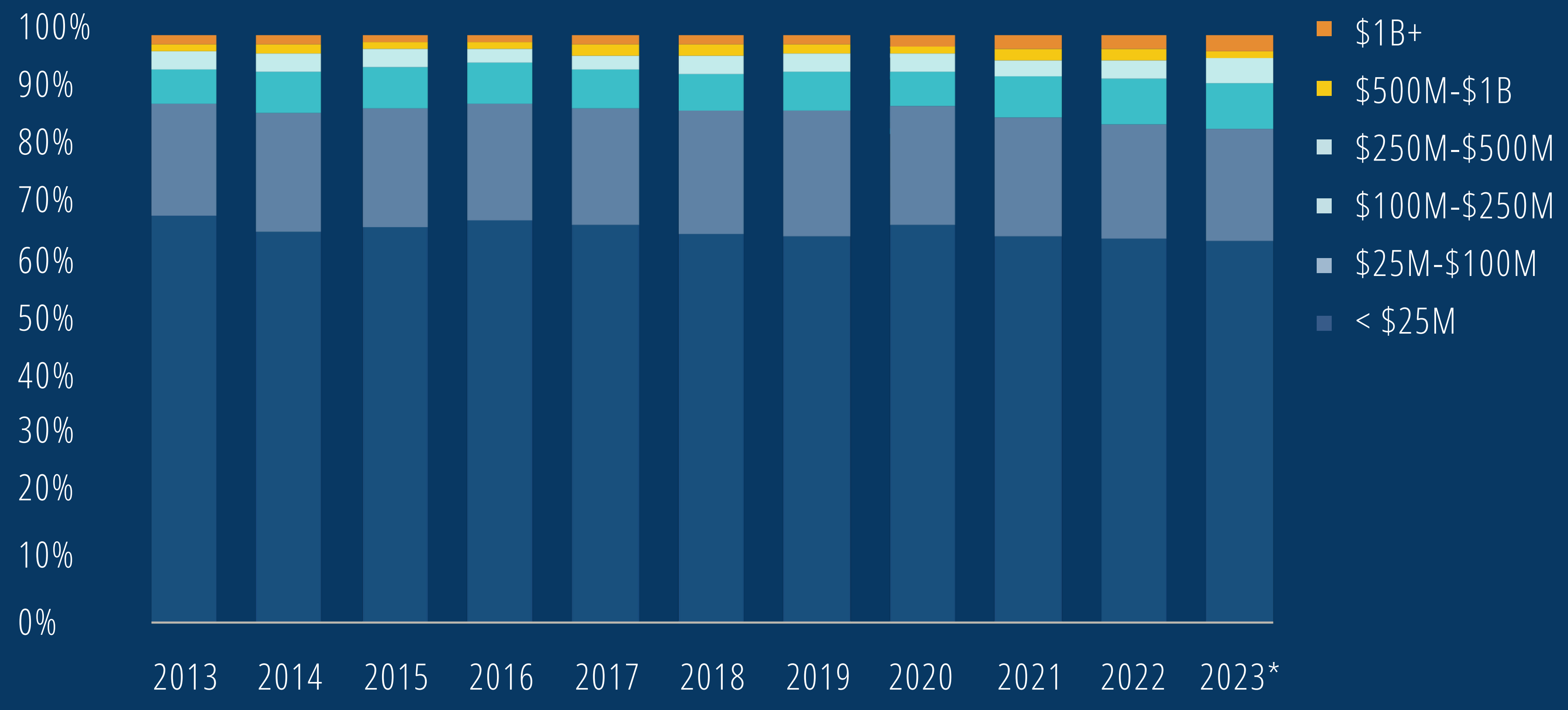
Sources: [1] 2023 national State of Owner Readiness Report
[2] US Chamber of Commerce
[3] Pitchbook Founder-Owned Businesses Are Attractive M&A Targets
· Geography: US *As of March 31, 2023

Founder-owned companies are attractive targets for acquisition:

- Easier to effect change and "professionalize," leading to growth.
- No previous funding from sponsors provides for less cultural conflicts.
- Closer to ground floor in terms of value creation opportunities.
- Ability to tap into expertise of financial sponsors to enhance go-to-market strategy.
- Little debt on balance sheets, make them easier to lever up for acquisitions.
- Any debt that is on the books can be potentially swapped out for cheaper debt, improving bottom-line performance.
- There's millions of non-backed private companies in contrast to only thousands of backed companies. This vast pool, offers corporate and sponsor buyers the freedom to choose from a wider range of options in the case that they need to fill a specific niche or sub-vertical to enhance their product offering.
- Relatively cheaper to buy compared to sponsor backed exit opportunities, making them more lucrative targets for shareholders seeking strong IRRs.

Share of Non-backed M&A Deal Value by Size Bucket



Source: PitchBook · Geography: Global
*As of March 31, 2023

JacksonPayne INVESTMENTS LLC

Why Are Founders Ready For an Exit?

1

Founder-owned businesses are facing tough economic and inflationary headwinds, and their liquidity is being squeezed due to the drying up of credit provided by regional banks. This is leading to an expanded presence of founder-owned businesses as sellers in the market, and this trend is likely to continue throughout the year.

Secondary market research

2

According to data from an article published from Score.org 06/28/2023, only 30% of family-owned businesses survive the transition from first- to second-generation ownership, and 12% survive the handoff from the second generation to the third. Partnerships can pave the way for a much more orderly transition and successful outcome for all involved.

Primary market research

3

Finally, founders are motivated by higher levels of performance and financial rewards their companies can achieve by partnering with a financial sponsor or corporate buyer, which typically involves a rollover equity stake that is fully realized by the founder when the sponsor exits the investment.

Define Your Exit Strategy

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Bi-Lateral Negotiation	Targeted Solicitation	Public Auction
Description The investment banker Identifies and screens the most likely buyer universe which often includes both strategic and equity sponsors in a one-on-one negotiation.	**Description** The investment banker identifies and approach a select group of potential buyers who align with your business's strategic goals. This approach strikes a balance between customization and competitive pressure.	**Description** A public auction involves a structured competitive bidding process. This approach maximizes competition and transparency.
Number of Buyers 1	**Number of Buyers** 2-25	**Number of Buyers** 25+
Advantages • **Customization**: A bilateral negotiation allows for personalized deal terms tailored to the buyer's needs and your vision for the company's future. • **Confidentiality**: This approach minimizes the risk of sensitive information leaking to competitors or employees since negotiations remain private. • **Relationship Building**: A one-on-one negotiation could foster a closer working relationship with the buyer, potentially leading to smoother transitions post-sale.	**Advantages** • **Focused Marketing**: Investment bankers leverage their industry knowledge to identify the most suitable buyers, increasing the likelihood of finding a motivated purchaser. • **Competition**: By approaching multiple potential buyers, you create competition, leading to potentially better offers and terms, while avoiding perception that the company is being shopped. • **Time Efficiency**: Compared to a public auction, targeted solicitation generally takes less time while still generating competitive tension.	**Advantages** • **Maximum Competition**: A public auction generates widespread interest, leading to competitive bidding that drives up offers, potentially resulting in a higher sale price. • **Objective Process**: The structured nature of an auction ensures that all potential buyers have a fair shot at making competitive offers, enhancing transparency. • **Expert Handling**: Investment banker manages the entire process, from initial marketing to final negotiations, allowing you to focus on running your business.
Disadvantages • **Limited Competition:** With only one buyer in the mix, you might not maximize the value of your business. Competition often drives up offers, ensuring you receive the best deal possible. • **Risky**: Tied to result of one negotiation which is risky.	**Disadvantages** • **Limited Market Exposure**: While focused, this approach still limits exposure to a specific group of buyers, potentially missing out on other interested parties. • **Negotiation Power**: You might have less bargaining power if you approach buyers directly, as they are aware that you are actively seeking a sale.	**Disadvantages** • **Time Intensive**: Public auctions can be time-consuming due to the extensive marketing, due diligence, and negotiation phases. • **Confidentiality Concerns**: Running a public auction might raise concerns about protecting sensitive business information from competitors and stakeholders.
Considerations Have very clear sense of most logical buyer.	**Considerations** • Have limited group of logical buyers. • Confidentiality and limited business disruptions.	**Considerations** Must weigh the impact that a publicly disclosed sale may weigh on worker morale, client perspectives, and day-to-day operations.

M&A TIMELINE

1

Week 1

- We assess strategic objectives, and motivations for pursuing an M&A transaction, and marry it with an appropriate exit and marketing strategy for your business.
- We outline your desired outcome, deal structure, valuation expectations, and identify any key concerns or red flags.

2

Weeks 1-4

- Signed Engagement Letter, Service Retained.
- NDA is signed and data room is created and begins to populate with the following:
  - Initial high level financial, operational, and legal due diligence to develop a preliminary valuation.
  - Value propositions for potential acquirers and create a growth story that will appeal to them.
- Prospecting acquirers begin.

3

Weeks 3-6

- Data room is populated with deeper more comprehensive financial, operational, and legal due diligence to reinforce the value proposition, provide more color of the company's growth story, and craft richer marketing materials.
- Marketing materials are created to include Management's presentation, Teaser, and Confidential Information Memorandum.
- Valuation Underwriting, Management Presentation, Teaser and CIM are packaged together.
- Contact Strategy for each investor is cultivated and finalized.

4

Weeks 5-9

- We begin marketing the distribution by soliciting the offering to potential acquirers.
- The teaser solicits interest, the NDA is signed, the CIM is reviewed, then;
- Interested acquirers receive an offer to place a bid.
- The non-binding indication of interest is signed and returned.

5

Weeks 9-17

- C-suite conducts presentations with interested bidders during Buyer-Seller meetings.
- Bids are submitted and evaluated.
- The conclusion of the management presentation is the conclusion of the initial due diligence period.
- LOIs are executed.

6

Weeks 17-20

- Buyer's final due diligence is executed where buyer investigates the seller's representation of the business.
- Due diligence items are checked off in writing as they are dealt with and a binding contract is remaining.
- Definitive Purchase Agreement is written to address issues discovered in due diligence.
- Closing & Flow of Funds.

*all dates approximate and based in investor demand and general market factors.

MERGERS & ACQUISITIONS

THE ADVANTAGES OF OUR SERVICE

In the fast-paced world of mergers and acquisitions (M&A), having a knowledgeable and trusted partner with a Personalized Approach, Extensive Network, and unwavering commitment to Confidentiality can make all the difference.

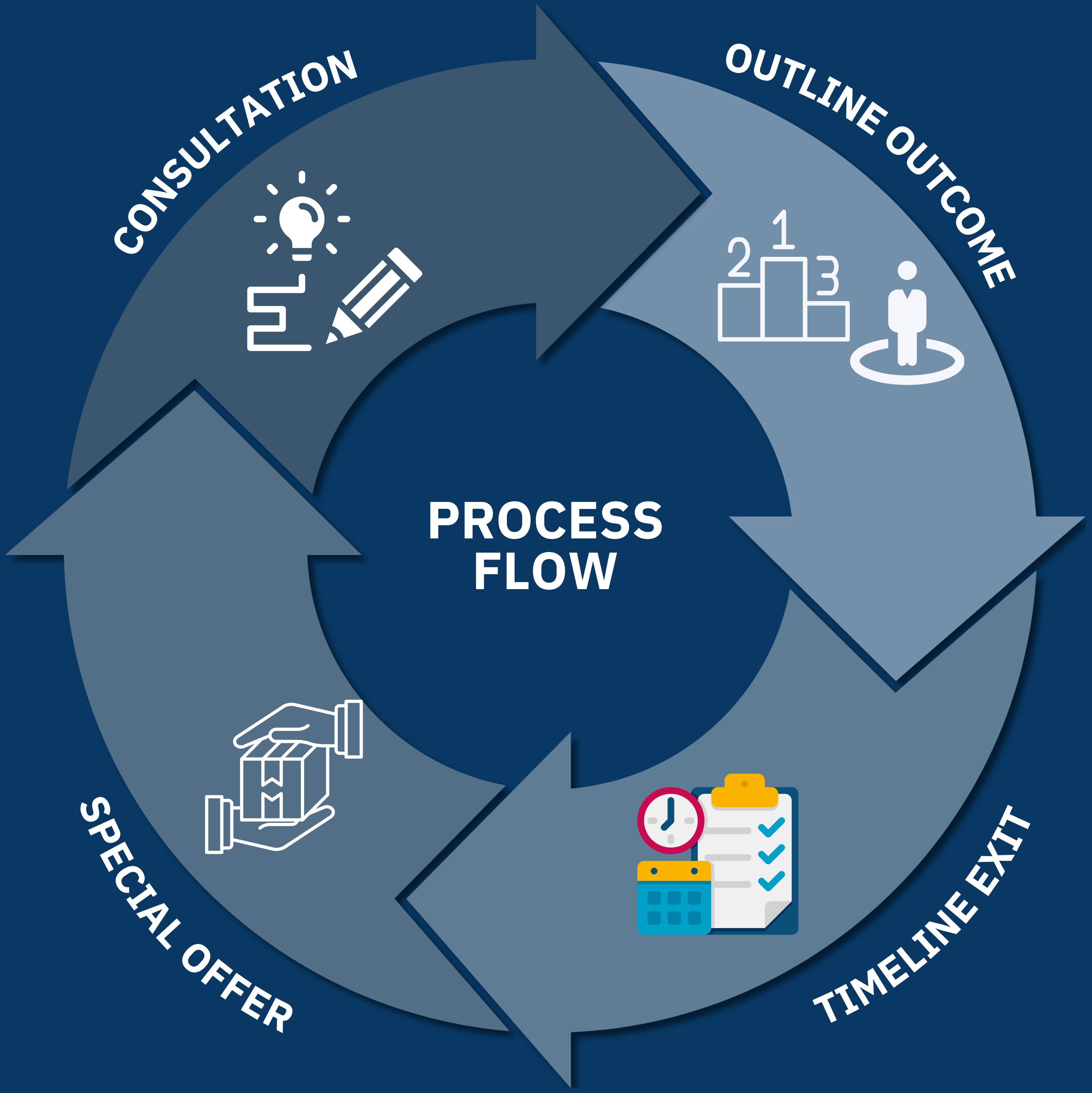
• **Personalized Approach:** Your business journey is unlike any other, and we are committed to understanding every nuance that sets you apart. Together, we'll craft an M&A strategy that aligns seamlessly with your aspirations.

• **Broad Network:** Over the years, we've cultivated a large network of industry key players. This network is now at your disposal, opening doors to opportunities that match your vision and drive your success.

• **Confidentiality:** Your business's sensitive information is our priority. Our confidentiality measures are designed to safeguard your interests throughout the entire process.

With a strong emphasis on communication, transparency, trust, and a large network of buyers, we guide you through every stage of the M&A process, in an attempt of providing you with a seamless and successful transaction. Our focus is not just on completing the deal, but also on building deep, enduring relationships that create value for our clients over the long term.

LIMITED TIME SPECIAL OFFER



JOIN US FOR A FREE CONSULTATION

- Assess strategic objectives and motivations for pursuing an M&A transaction.
- Introduction to Jackson Payne Investments LLC.

OUTLINE DESIRED OUTCOME

- Outline desired outcome, deal structure, valuation expectations, and identify key concerns or red flags.

TIMELINE FOR AN EXIT?

- A business owner will sell his/her business once in a lifetime.
- While some sellers are motivated to exit quickly, others are interested in having a discussion 1 to 5 years away from selling.
- It takes time to grow into a target valuation before an exit.

SPECIAL OFFER

1ST **We'll show you a list of potential acquirers.**

2ND **We'll leverage our Partnership with Industry Leaders to deliver you actionable intelligence with what is going on in the M&A Middle Market, tailored to your explicit needs.**

3RD **We'll advise you on what the market is rewarding with higher equity valuations.**

CONTACT US

[Book a Discovery Call]

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