



Examining Actual M&A Transactions: A Two-Sided View

- Slides and resources: staffingworld.net/materials2018
- Hold an ASA credential? Scan your name badge before each workshop to earn CE
- Rate this session on the mobile app! Create your profile first—**enter to win Staffing World 2019 registration!**

ASA American Staffing Association



Alan Bugler
Managing Director
Bowstring Advisors



Sam Sacco
Principal
R. A. Cohen Consulting



Akash Taneja
Managing Director
De Bellas & Co.


ASA American Staffing Association

Akash Taneja, Managing Director
De Bellas & Co. LLC



Company Profile

- Accounting and finance staffing
- Trailing twelve months revenue of \$17.00M
- Trailing twelve months gross profit of \$5.3M or 31% gross margin
- Trailing twelve months adjusted EBITDA of \$1.7M
 - Adjustments included: owners' fully burdened compensation and other owners' expenses
- 98% perm/contract staffing. <2% direct hire



Company Profile (cont'd)

- Growth of over 50% since 2014
- Experienced leadership team; average total of prior experience and tenure over 20 years
- 10% compound annual growth rate ("CAGR") over last four years
- Low customer concentration; Top 10 customers represented only 30% of revenues
- Customer diversification; top ten customers in six industries
- Single office in northeast
- One owner
- Succession plan in place



Sale Process Timeline


- Contracted for sale in August 2017
- Entered market in September 2017
 - Marketed to 60 strategic buyers and 25 private equity buyers
- 28 prospective buyers signed non-disclosure agreement and received Confidential Information Memorandum (CIM)
- Four prospective buyers submitted Letters of Intent (LOI) and were invited to on-site management meetings



Sale Process Timeline (cont'd)

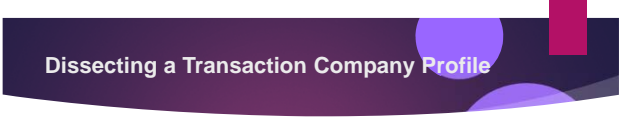
- Group of four narrowed based on qualitative and quantitative factors
- Strategic staffing company selected as preferred buyer
- Letter of Intent signed in December 2017 for \$9.8M or 5.75x EBITDA
 - 80% cash at close
 - 10% of cash at close payment held in 90 day escrow
 - 20% in two year earn out
 - Earn out achieved for maintaining closing gross profits
- Normative level of working capital (current assets less current liabilities) remained with the buyer
- Transaction closed March 2018

DE BELLAS & CO.
INVESTMENT BANKING



Sam Sacco
Principal
R. A. Cohen Consulting

r.a.cohen consulting



Dissecting a Transaction Company Profile

- Light industrial staffing firm
- Headquartered in Chicago
- Fifteen offices in 6 states
- Direct hire: 3% of revenue
- TTM revenue: \$128M
- Gross profit: \$16.8M (14.4% G/M)
- Adjusted EBITDA: \$3.8M

r.a.cohen consulting

Company Profile, Cont.

- 150 full-time employees
- 3 S corps selling selected assets
- Good growth potential
- Good management in place
- Client concentration (18%)
- Some minority shareholders

r.a.cohen consulting

Sales Time Line

- Contracted for sale in late 2016
- Started marketing firm in December
- Initially 21 firms approached with additional firms added later
- LOI presented in January for \$17.3M at closing and an earnout to be determined
- Thru negotiation purchase changed to \$21.5M with the seller retaining equity
- LOI signed later in may for \$26.4M with buyer receiving \$5M working capital

r.a.cohen consulting

Sales Time Line, Cont.

- Following a longer than normal due diligence, a problem led to the transaction not being completed in January 2018
- New buyer found immediately and LOI for more value signed in February with seller keeping the balance sheet proceeds
- APA signed in June

r.a.cohen consulting

Dissecting an M&A Transaction

Alan Bugler
Managing Director
Bowstring Advisors

CONFIDENTIAL PRESENTATION **BOWSTRING** ADVISORS

Company Profile

- Professional Staffing
 - 100% of Revenue Contract placements in the HC Sector, Allied and Travel Nursing
- National sales/delivery model
- 2 Shareholders - one looking to retire
- Company approached by several potential buyers
- Realized need to have a professional advisor
- Engaged to evaluate and determine options

CONFIDENTIAL PRESENTATION **BOWSTRING** ADVISORS

Company Profile - continued

- Trailing Twelve Months Revenue \$29M
- Trailing Twelve Months Gross Profit \$11.9M
- Gross Margin for Contract staffing 28.6%
- Adjusted EBITDA \$3.3M (11.5%)
 - Adjustments for retiring shareholder compensation, excess legal and consulting fees
- Investing in proprietary technology

CONFIDENTIAL PRESENTATION **BOWSTRING** ADVISORS

Process Timeline

- Internal data review/ due diligence/ data room population/modeling
- Focus was on evaluating two potential buyers and valuation
 - Evaluated IOI's, valuations OK, however
 - Revenue accelerating
 - Decide to pause process, focus on aggressively hiring to turbo charge growth
- Re-engaged 11 months later

CONFIDENTIAL & PROPRIETARY **BOWSTING** INC.

Company Profile - continued

- Trailing Twelve Months Revenue \$41.7M
- Trailing Twelve Months Gross Profit \$7.9M
- Gross Margin for Contract staffing 28.6%
- Adjusted EBITDA \$5.9M (14.4%)
 - Adjustments for retiring shareholder compensation, excess legal and consulting fees
- 34+% Compound Annual Growth Rate over the last 4 years
- Technology significantly increased recruiter productivity

CONFIDENTIAL & PROPRIETARY **BOWSTING** INC.

Process Timeline - continued

- Created shortlist of strategies and private equity
- Received 8 Indications of interest (6.5x -8.2x)
- Narrowed 4 to have Management meetings
- After Management meetings
 - All increased their valuation, one moved to 9.8x
- Negotiated LOI and signed with private equity.
 - Growth alignment, highest value, valuation based on forward EBITDA
 - Eliminated the need to run "full marketing process"
 - Saving time, resources and business disruption

CONFIDENTIAL & PROPRIETARY **BOWSTING** INC.

Process Timeline - continued

- LOI signed for \$60M - March
 - Shareholder rolled 20% of EV
 - Cash at close to sellers \$47M
 - 5% Escrow
 - Cash Free - Debt Free - Normalized Working Capital
 - Private Equity Partner allocated 12% of their Equity for Senior Management
 - Closed in early June

COMPASS CONSULTING GROUP **BOWSTRING** ADVISORS

THANK YOU

Alan Bugler
404-461-4604
abugler@bowstringadvisors.com

COMPASS CONSULTING GROUP **BOWSTRING** ADVISORS

Thank You

Contact Information

Akash Taneja
(714) 349-0510
ataneja@debellas.com

Sam Sacco
(910) 789-4057
sam@racohenconsulting.com

Alan Bugler
(904) 292-9305
abugler@bowstringadvisors.com

 American Staffing Association

Use the App to Rate This Workshop!

1. Log into your Profile.
2. Click Agenda on the app home screen.
3. Choose the workshop to rate.
4. Click "Rate This Now."

Create your profile first and enter to win **Staffing World 2019** registration with each rating!

