What to Expect When You're Considering Selling to Private Equity

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CONNECTIONS THAT FUEL MIRACLES



Agenda

Intro

Definition of Private Equity

The PE Process

The Market

Number of Recent Deals in Staffing

How to Work with PE

Advisors

Check List



My Background

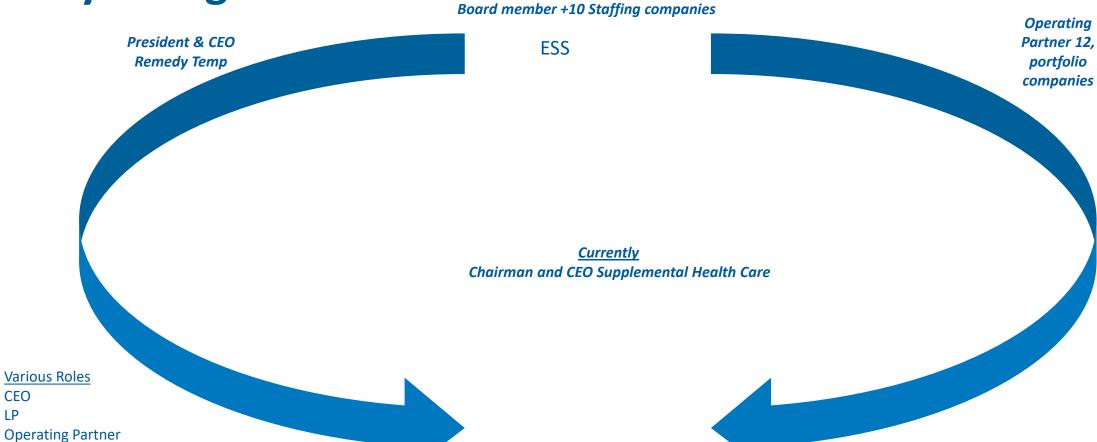
CEO

Advisor

Owner

Private Investor

Board Member



Directly worked with 11 various PE firms

Founder and Lead Director of The Stepping Stones Group



Definition of Private Equity



A Private Investment Vehicle ...

That has Limited Partners supported by a General Partner

That are typically Funds or Private Placements

That are often funds with multiple portfolio companies

That have 4 - 6 year hold periods

That usually strives for control – 51%

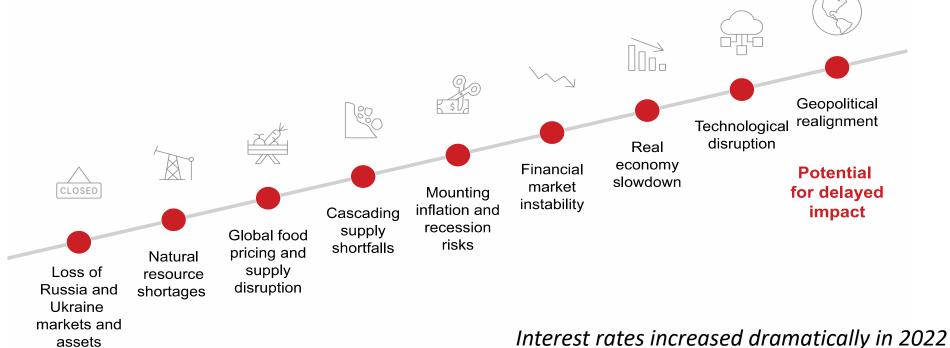
Targets 3x MOIC and 20% IRR's

Have Operating Partners and Advisors

That are Various sizes, Philosophies and Charters

Approximate AUM- \$4.5T Approximate number of firms- 2000

Current Environment



Trends underway

Source: Bain & Company

Amount of Capital needed to close deals has substantially increased for PE to fund deals

Seller / Buyers expectations have not recently been in alignment

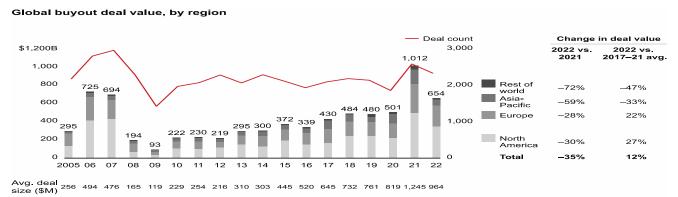


2022 and 2023 Were Challenging Markets

BAIN & COMPANY (4)

Global Private Equity Report 2023

Figure 7: Global buyout value dropped by more than a third in 2022 as banks veered away from large transactions over the summer



Notes: Excludes add-ons; excludes loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change; geography based on target's location; average deal size calculated using deals with disclosed value only Sources: Dealogic; Bain analysis

Figure 8: Buyouts continued to soar globally in early 2022, but momentum slowed substantially across regions in the second half



Notes: North America and Europe—excludes add-ons; excludes loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change; geography based on target's location; Asia-Pacific—includes buyout, growth, early-stage, private investment in public equity, turnaround, and other deals; excludes real estate; excludes deals with announced value less than \$10 million; includes investments that have closed and those at agreement-in-principle or definitive agreement stage Sources; Dealogic; AVCJ: Bain analysis

of US deals - 30% 2022

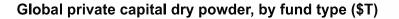
US Buyout values down > 50% 2022

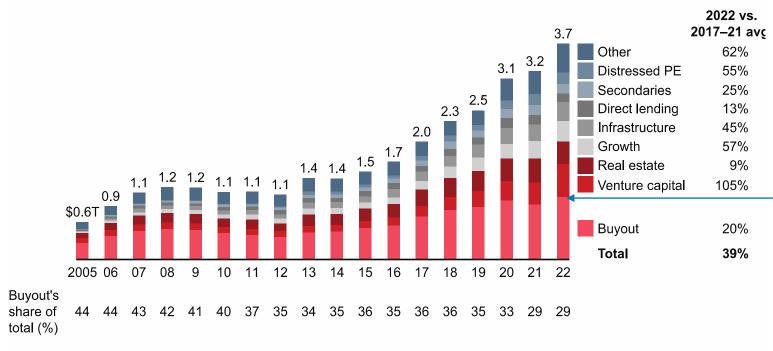
More of the same in 2023

The previous 10 years were the best on record



The Good News is ...





Plenty of Dry Powder to do deals

Notes: Buyout category includes balanced, coinvestment, and coinvestment multimanager funds; other category includes fund-of-funds, mezzanine, and hybrid; discrepancies in bar heights displaying the same value are due to rounding Source: Pregin



Total Staffing Transactions 2007- Q1 2023





Approximately 200 deals 2023

The table below shows transactions by segment for Q1 2023, in order of total transactions.

Approximately 80% of transactions are with PE firms



Who/When should you think about PE?

If you want a total or partial liquidity

You need growth capital – PE is one option

If you need expertise to get to the next level

If you want to de-risk your personal assets

If you are not afraid to lose 100% control

What factors to consider?

What type of fund is best for me? Why?

How hands on will the PE firm be? Who will I deal with at the fund?

How can the firm add value?

Who will sit on the new board?

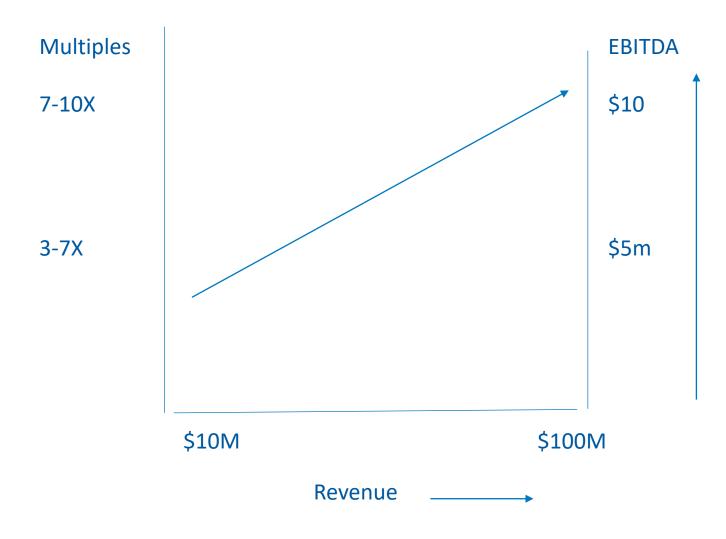
What will the meeting rhythms be?

How much equity should I role into the the deal?

MEP – Pool and Plans



Get Familiar With Multiples – MOIC



Key factors to Maximize MOIC

Future growth path

Low client concentration

Quality of Management

Industry Growth Potential

Sector – IT , LI, HC, Other





Private Equity Investment Process

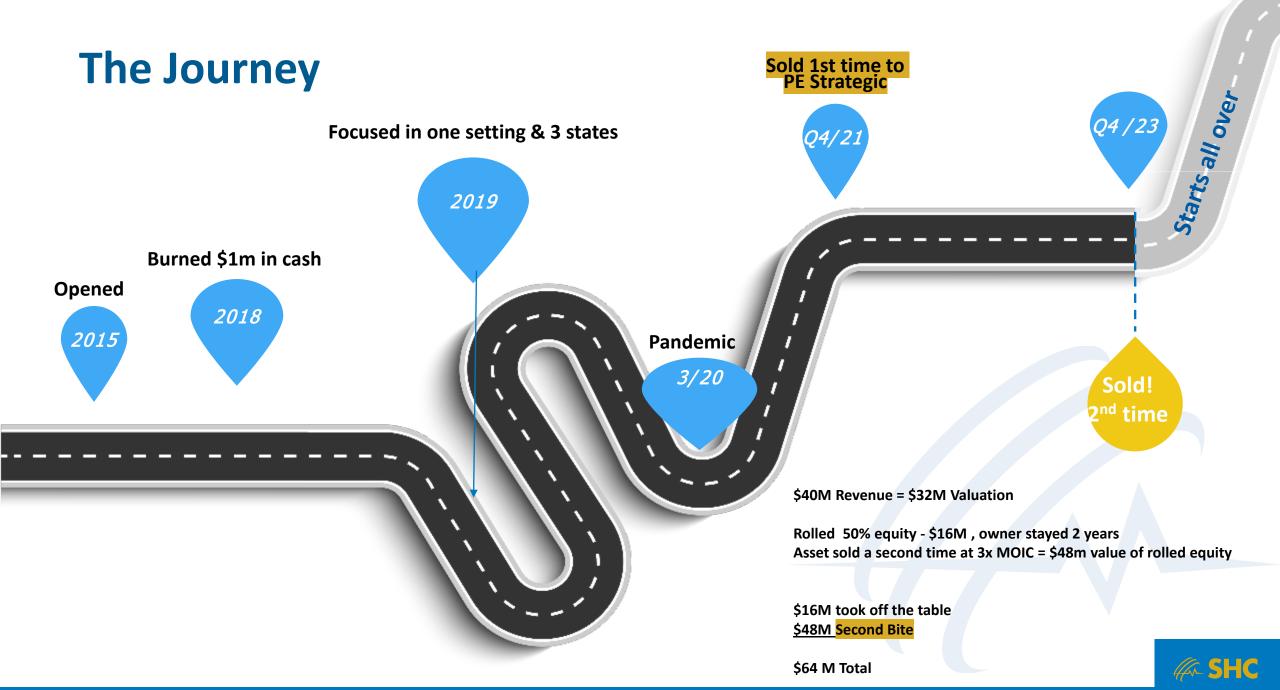


Strategy and operations in a P/E investment process











Check List

Tax Advisor

Investment Banker or close advisor

Experienced M & A Attorney

Get The House in Order - Insurances, compliance, contracts, website and other risk areas

Other Advisors

Reference, Reference

Final Thoughts

You will loose 100 % control

You will report to a board

The pace of change will be beyond your expectation – PE will expect path of 3x in 3 years

There will be ups and downs

It will change your business life for ever

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Thank You!



Connections That Fuel Miracles