About the Speaker

Matt Rupprecht | Director

Matt Rupprecht is a Director of PMCF and co-leads the firm's Business Services & Technology team. He has more than 15 years of experience advising clients with the buy side and sell side M&A transactions, leveraged buyouts, and the placement of senior and subordinated debt. In addition, Matt has extensive experience across multiple segments, including human capital management, advertising, facilities management services, managed services, and business process outsourcing. Matt earned a BBA with high distinction with an emphasis in finance and accounting from the Stephen M. Ross School of Business at the University of Michigan. He is a licensed securities representative holding his Series 7 and 63 registrations and a Chartered Financial Analyst.

Human Capital Management Transaction Experience
Transacting in Today’s Market

Evolving market dynamics support competitive transaction outcomes for quality companies with proactive strategies

- Significant “dry-powder” available from both private equity and strategic acquirers
- Scarcity of good assets in market create a competitive process with buyers needing to deploy capital
- Consolidation is occurring across industries, specifically with companies offering niche services
- Macroeconomic uncertainty surrounding inflation and interest rates point towards a recessionary environment
- Debt capital markets have tightened with increasing interest rates, thus driving financing creativity
- The staffing industry can be perceived as susceptible to cyclical pressures

- Record levels of capital seeking quality assets remains on the sidelines, as investors deploy record-sized funds
- Well-positioned companies with sturdy growth prospects are attracting strong buyers and driving competitive processes
- Private equity and strategies are targeting acquisitions to add to their service offerings and using M&A to bolster tepid organic growth
- Despite macroeconomic headwinds, factors such as strong consumer demand and low unemployment rates support the idea of a stabilizing economy
- Buyers partnering with alternate financing sources provides a path for deal activity to persevere in an elevated interest rate environment
- Sensitivity to cyclical sectors of the economy will drive premium valuations for groups which exhibit strong reliable earnings
A holistic approach to optimizing outcome requires preparation in the years approaching the transaction.

**Engage the right professionals up front**
- Identify advisors who have strong experience with similar companies
- Develop trusted relationships with transaction advisor team

**Properly prepare and position business for sale**
- Take steps to mitigate elements which compress value
- Consider timing variables and when to launch the transaction process

**Determine transaction objectives and priorities**
- Understand company valuation and expected post-tax proceeds
- Identify nonquantitative factors that are important post-transaction

**Consistently review planning progress**
- Regular check-ins with advisors for updated evaluation
- Compare how core pre-transaction initiatives are tracking to expectations
Types of Capital Transactions

Growth and Liquidity Alternatives

Strategic Alternatives

Growth Alternatives
- Acquisition
  - 100% Acquisition
  - Partial Acquisition
- Organic
- Partnership
  - Expand Footprint
  - Joint Venture
  - Strategic Alliance

Liquidity Alternatives
- Recapitalization
  - Debt Recap
  - Equity Recap
- Sale
  - Financial Buyer/LBO
  - Strategic Buyer

Capitalization and Timing Considerations

Investment of Capital  
Long Term  
Liquidity  
Time Horizon  
Return of Capital  
Short Term
Planning for Success – Key Variables

Transaction Expectations

Before entering a transaction process, it is critical to have a grasp on all concepts which may influence the course of a deal.

Enterprise Value
Understanding of company value is crucial
- General valuation range
- Transaction structures
- Post-tax shareholder proceeds

Financial Performance
Realize the impact of prior financial results
- Trends in financial metrics
- Performance over last twelve months
- Clarity on financial outlook

Shareholder Timing
Deal timing considerations can materially impact outcomes
- Shareholder objectives
- Sell-side process timeline
- Management strength

Market Conditions
Industry specific conditions are an integral piece of the puzzle
- Industry specific dynamics
- Likely buyer appetite
- Industry innovation
The positioning of company-specific characteristics as well as the ability to provide support on select strategic & operational dimensions have a material impact on a buyer’s perception of value.

### Strategic
- Relevance of strategic plan in light of industry dynamics
- KPI’s tracked and incorporated into daily management
- Presence of a defensible growth story

### Operations
- Strategic assets
- Identifying and maintaining premium talent
- Continuous improvement strategy and track record
- Scalability of each operational department
- Effective management of working capital

### Organizational
- Reliance upon owner for strategic direction
- Management depth and strength
- Internal plan for turnover / succession of management team
- Workforce mix (W2 vs. 1099)
- Processes for innovation

### Products and Customer Profile
- End market profile and customer base attractiveness
- Customer mix and concentration
- Length of current contracts/SOWs
- Margin and pricing trends
- Customer sentiment and support
First Steps in Transaction Preparation

**Financial Performance Assessment**

- Deep-dive into the organization’s historical and projected financial performance
- Determine the sustainable, Adjusted EBITDA performance of the business
- Leverage multiple valuation methodologies to determine a projected enterprise value and after-tax proceeds
- For transactions with >$20M enterprise value, a sell-side Quality of Earnings (“QoE”) report is recommended
- Buyers will perform their own QoE Review to help confirm the historical earning of the business

**Presale Legal Audit**

- Identify and ameliorate legal problems and vulnerabilities that may exist within the organization
- Lay out a roadmap to address potential legal issues in advance of going to market
- Establish a strategy to retain high-performing employees through retention agreements & non-competes
- Periodic legal reviews to bolster buyer confidence, positively impacting purchase price & payment terms
Engaging the Right Professionals

**Transaction Advisory**
- Liaison between buyer and seller
- Offers extensive industry experience
- Purchase price negotiation
- Worthwhile impact on EV

**Legal Advisory**
- Can perform a legal audit before going to market
- Expert on various deal structures
- Tax optimization strategies
- Creative solutions to transaction issues
- Negotiates deal agreements

**Core Transaction Team**
- Transaction Advisory
- Legal Advisory
- Other Deal-Specific Groups
  - QoFE Provider
  - Tax Professional
  - Market Sizing Consultant
  - Real Estate Advisor
  - Other Transaction Professionals

**A proactive approach to developing a tailored transaction plan helps optimally prepare a business for the sale process**