The M&A Process
and the Role of a Financial Advisor
My Background

- 1996 University of Florida undergrad with BS in Finance
- 1998 Geneva Companies / sub of Citigroup doing small M&A deals
- 1999 University of South Florida MBA
- 2000 – 2003 Bank of America / Banc of America Securities
  - Associate, Financial Strategies Group
  - Associate, Mid-Cap Investment Banking
  - Vice President, Financial Strategies Group
- 2004 Co-founded Crosstree Capital Partners
Who is Crosstree?

- **Specialist investment banking firm catering to the needs of companies within the life sciences industry**

- **Primary advisory services are:**
  - Mergers and acquisitions advisory, both buy- and sell-side (90%)
  - Private capital raising (10%)

- **Principal investing capabilities through a $1+ Billion debt fund**

- **Exclusive focus on select subsectors of life sciences**
  - Pharmaceutical services
  - Diagnostic products and services
  - Life sciences tools

- **Global capabilities through strategic partners in Europe and India**
The Premise Behind Crosstree

- Shareholders / Board Members select M&A advisors who have recent, relevant experience
  - Understanding of their business
  - Relationships within their industry
  - Real-time knowledge of supply and demand and valuation
  - Ability to add value beyond just running a generic “process”

- The “bulge-bracket” investment banks deliver this, but middle-market i-banks haven’t completely figured it out

- Crosstree focuses on sectors that are fragmented and underserved by large investment banks
  - Well consolidated at the upper end of the market, not a lot of big fees to be made
  - Highly fragmented with a large number of smaller middle-market companies

- Crosstree strives to build deep domain expertise and ‘kill the category’
  - Exhaustive mapping of our sectors
  - Build key relationships with industry leaders
  - Evolve with the sector (i.e. if the sector is globalizing, we globalize)
What Does Our Typical M&A Client Want?

- The Highest Possible Valuation...
- in the Shortest Amount of Time...
- with the Tightest Measures of Confidentiality.
Creating an Efficient Market where No Such Mechanism Exists
Creating an Efficient Market where No Such Mechanism Exists

Actual results may vary
The Steps to a Typical M&A Process

1. Advise Client as to Strategic Alternatives / Design Process

2. Prepare Marketing Materials

3. Execute Marketing Program

4. Preliminary Due Diligence

5. Final Bids, Negotiation and Buyer Selection

On Average, Crosstree’s M&A Processes Take 5 – 7 Months to Execute
1. Advise Client as to Strategic Alternatives / Design Process (1 Month)

- What are the Client’s Motivations?
  - Grow the company
  - Estate planning / retirement
  - Restructure ownership
    - Management buyout
    - Replace shareholders who want out

- Timing considerations
- Tax planning
- Accounting requirements (are financials audited?)
- Establish preliminary timetable
Typical Options Contemplated by a Business Owner / Board Member

- Strategic Sale
- Strategic Recapitalization
- Strategic Merger w/ VC-Backed Company
- Venture Raise - Standalone Scenario
- Venture Raise - Buy-and-Build Scenario

Value of a deal done now vs. Max. future value of deal done now over time.
Preliminary Valuation Analysis / Setting Expectations

- Publicly-traded Comparables
- Precedent M&A Transactions
- Discounted Cash Flow Analysis
- Leveraged Buyout Returns Analysis
- EPS Accretion / Dilution Analysis

It’s not just about the multiple (Recasts and Credibility)

Perception of Risk
Expected Growth

Financial Metric (Rev., EBITDA) \(\times\) Multiplier \(=\) Value
2. Prepare Marketing Materials (1 Month)

- **Confidential Memorandum**
  - Highlight the key selling points
  - Develop a theme to position the company
  - Highly collaborative exercise with management

- **Financial projections are developed and refined**
  - Defensible projections built upon key financial metrics with historical evidence

- **Develop buyer / investor list**
  - Strategic fit
  - Presumed level of interest
  - Financing capabilities
  - Likely view of value and potential synergies
  - Ability to execute a timely transaction
  - Confidentiality / competitive issues
3. Execute Marketing Program (1 - 2 Months)

- ‘Teaser’ is distributed to targeted buyers / investors
- Negotiate confidentiality agreements and distribute Confidential Memorandum
- Preliminary Q&A with buyers / investors
- Prepare management presentation
  - Expand on key selling points in the Confidential Memorandum
  - Update buyers on any new developments and interim financial results
  - Showcase the management team
- Assemble “Data Room” materials
  - Accounting, financial and operational data
  - Property and equipment descriptions
  - Key supply and customer contracts (as appropriate)
  - Pertinent legal documents
  - HR information
- Legal counsel begins drafting purchase docs
4. Preliminary Due Diligence (1 Month)

- Indications of Interest requested – preliminary valuation expectations
- Small number of buyers selected to move forward
- Management presentation
- Potential buyers now have:
  - Access to Data Room
  - Ability to meet with key members of management
  - Option to tour facilities / operations
- Follow up Q&A
5. Final Bids, Negotiation and Buyer Selection (1 - 2 Months)

- Receive final binding bids (Letter of Intent)
- Negotiate price and contract terms with finalist(s)
- ‘Bring-down’ due diligence
- Execute definitive agreement
- Coordinate legal, tax, accounting and disclosure issues
- Close / funds transfer
Case Study: Sale of Primus Corporation to Trinity Biotech

July 2005

Trinity Biotech

Has Acquired

Primus Corporation

COMPANY DESCRIPTIONS

- Founded in 1988, Primus is a leader in the field of diabetes diagnostic testing. Utilizing one of the most accurate and precise methods available, the Company provides a range of glycohemoglobin (HbA1c) platforms to serve customers from physicians’ offices to the largest reference laboratories.

- Trinity Biotech develops, acquires manufactures and markets over 500 diagnostic products for the point-of-care and clinical laboratory segments of the diagnostic market. The broad line of test kits are used to detect infectious diseases, sexually transmitted diseases, blood coagulation disorders, and autoimmune diseases. Trinity Biotech sells worldwide in over 80 countries through its own salesforce and a network of international distributors and strategic partners.

TRANSACTION HIGHLIGHTS

- Primus engaged Crosstree to assist the Company with assessing strategic alternatives, including raising growth capital and/or a potential sale of the Company

- Crosstree subsequently conducted a highly targeted sale process which included preparation of an information memorandum and detailed financial forecast model; Crosstree solicited interest only from strategic acquirors with which Primus fit synergistically

- Crosstree was able to bring in numerous, simultaneous offers, half of which came from international suitors

- After heavy negotiations, Primus chose to formalize a Letter of Intent with Trinity Biotech at a valuation of 8.2x LTM EBITDA; the transaction closed 49 days later

- Trinity was able to add a reputable product line in diabetes, one of the strongest areas of healthcare

- Primus was able to satisfy passive shareholders’ liquidity needs as well as provide management with a more robust sales force, manufacturing capability and financial resources
THANK YOU!