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Presentation to Financial Advisors

How to Explore Selling a Business:

A Roadmap for Advisors and Their Clients

TOBIN & COMPANY



Justine Tobin ✓ · 2nd

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Tobin & Company
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Bio: Tenured Investment Banker with 39+ years of experience. Founder and CEO. Expertise and savvy built at Goldman Sachs, Salomon Brothers, Bank of America and TOBIN. Experienced Board Member. Regulatory Risk and Compliance Expert. Enthusiastic mentor.

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Introduction and Framing

**A Company Should
Always Be Ready to Sell**

Helping Clients Navigate Business Sales with Confidence

Selling a business is complex: it's emotional, financial, and operational. It rarely happens at the “perfect time.”

You don't need to be an M&A expert but instead need to know how to frame the right questions and spot red flags throughout your relationship.

Today We Will:

- Define what it means to “explore” selling a business and why timing matters
- Identify common triggers and emotional signals that indicate clients may be ready to sell
- Outline key strategic questions sellers must ask of themselves and the process
- Walk through the M&A process and highlight where deals succeed or fail
- Share what a well-prepared seller looks like
- Identify the role of wealth managers and commercial bankers

Triggers That Prompt Owners to Sell

Why Do Owners Sell?

Some of the Most Frequent Reasons Owners are Tempted to Sell

Common Catalysts

- Age
- Unsolicited offers
- Industry shifts
- Capital needs

Red Flag Catalysts

- Another recession
- “I’m just tired”
- Sudden industry shift
- Family conflict or shareholder dispute

Role of the Advisor

- Leadership
- Early detection
- Framing the decision-making



Case Study – Thermcraft Inc.

Unexpected Events

Thermcraft Inc.: Personal health issues, like the leukemia diagnosis at Thermcraft Inc., often accelerate sale decisions and force owners to act fast. Sadly, the President and CEO, Tom Crafton, on died April 28, 2020, having lost his fight to beat leukemia.

Details for Selling a Company – Thermcraft Inc.

Legacy & Continued Motivation: Tom wanted to preserve jobs and keep the company in Winston-Salem, NC

Search for the Right Fit: Initially interviewed large investment banking and accounting firms, but found them too rigid and not aligned with the company's goals

Chose Tobin & Co.: Showed genuine interest in understanding Thermcraft's unique situation, offered flexibility, and a customized approach, and was a woman-owned firm

Cultural Fit & Emotional Closure: Ultimately sold to Alloy Engineering, a company that aligned with Thermcraft's values and respected its history. Honored Tom's legacy and planted a strong future

Key Takeaways from the Case Study

Scan to Read the Full Story!



Moral of The Story – Four Takeaways

- 1** Be prepared. Leave nothing to chance. Unanticipated events do happen and it is always better to have a plan and not need it, than to need a plan and not have it.
- 2** It's good business to have a current business valuation. It facilitates fast action when time is of the essence.
- 3** Beyond the numbers, a clear understanding of common philosophies and goals leads to a better deal for all parties.
- 4** Never underestimate a woman!

More Triggers and Roles Advisors Can Play

Additional Reasons to Sell a Business

- **Lifecycle Milestones** - Approaching retirement or wishing to “enjoy the fruits” accumulates emotional and practical urgency
- **Market Conditions** - In a slower 2025 M&A market, PE firms are actively targeting smaller deals, creating opportunities that didn’t exist during the boom
- **Internal Warning Signs** - Missed succession planning, slipping performance, or waning passion are warning signs that effects value and buyer appeal

Courses of Action Advisors Can Take

- Encourage proactive planning rather than reactive sales
- Position financial buyers as new viable options given 2025 trends
- Detect and frame these triggers early
 - Especially emotional or inadvertent ones that can be resolved



Pre-Sale Strategic Questions

What Types of Questions Should Be Asked?

Some of the Most Frequent Questions to Think About

- What Kind of Buyer Does the Client Envision?
 - Strategic Buyers
 - Financial Buyers

Buyer Types

- Are There Internal Successors or Family Members in the Picture?

Inheritance

- Is the Business Even Ready for Sale?
 - Operations
 - Financials
 - Legal

Readiness



Questions: Types of Buyers and Deal Structures

Types of Buyers

What kind of buyer fits the client's goals?

- Strategic buyers: oftentimes more selective, industry-aligned, and slower to act
- Financial buyers (PE, family offices): increasingly active in 2025 and flexible on structure
- Consider whether the owner wants a buyer who prioritizes:
 - Control
 - Legacy
 - Liquidity

Deal Structures

Are earn-outs or equity rollovers necessary?

- Used to resolve price or value gaps
- Especially common when buyer is skeptical of future projections
- Consider the type of M&A structure the owner wants:
 - Cash
 - Earn-outs
 - Equity in Buyer's Company

Questions: Leadership, Valuation, & Financial Readiness

Leadership

Who remains in leadership after the transaction?

- Will founders exit entirely or stay for a transition period?
- Have key employees signed retention or incentive agreements?

Valuation

Is the 409A valuation up-to-date and compliant?

- Buyers and the IRS expect both a formal and independent analysis
- Speeds diligence and avoids post-sale tax surprises

Financial Readiness

Is all financial housekeeping in order?

- This includes audited statements and clear working capital norms
- All revenue concentration and customer contracts are reviewed
- Weak or messy financials can devalue the business

The M&A Process: An Unvarnished Overview

Timeline Visualization of the M&A Process

*** Selling a business requires identifying and assigning a group of trusted advisors, planning the process, anticipating where the problems usually arise, and knowing exactly what you want from the sale**



An In-Depth Look Into the M&A Process

Six Major Steps of the Process

1) Preparation

Includes preparation of Executive Summary, Buyers List and Confidential Information Memorandum.
Confirmation of pricing viability, as well.

2) Marketing/Engagement

Targeted outreach to financial and strategic acquirors.
Gathering Indications of Interest (IOIs)
Management presentations

3) LOI & Negotiation

Letters must cover price, structure, escrow, indemnities, because weak LOIs risk collapse

4) Due Diligence

Financial, legal, and operational research and deep-dive

5) Purchase Agreement

Determining asset versus stock purchases, handling earn-outs, and equity rollovers. Structured based on buyer type and tax tradeoffs

6) Close

Transition to digital closings (e-sign), transfer of proceeds, then celebrate!

Roles, Risks & Realities

Roles

- Investment Banker: Quarterback of the process - manage buyers and drives value
- M&A Attorney: Structures the deal, negotiates terms, and protects client risk
- Accountant: Cleans up financials, supports diligence, and validates working capital
- Wealth Advisor: Align structure with personal tax, estate, and liquidity goals

Risks – Common Deal Killers

- Misaligned expectations on price or terms
- Poor diligence prep (missing contracts or messy financials)
- Emotional turbulence: founder hesitation or team miscommunication



Realities vs. Valuation Myths

- “It’s worth what I want” → Value is driven by market, not sentiment
- “Revenue equals value” → Buyers pay for earnings, not just sales
- “One buyer is enough” → Competition creates leverage & better terms



Sell-Side vs. Buy-Side: Who's Running the Deal?

Sell-Side

- Representing the business owner
- The goal is to maximize valuation, manage diligence, and negotiate terms
- Bankers manage the competitive process

Buy-Side

- Representing an acquirer (PE fund or strategic)
- The goal is to identify fit, negotiate different prices, and reduce risk
- Mainly focused on synergy and integration, and return hurdles

Anatomy of a Well-Prepared Seller

Characteristics of a Well-Prepared Seller

A ready seller does not just display **governance and diligence**, but also knows how to **create value** on their own

Clean Financials

- o Audited financials, normalized EBITDA, clear forecasts, and formally defined working capital

Updated Valuations

- o Annual and independent 409A valuations that stand up under IRS and buyer scrutiny

Leadership Strength

- o Robust management teams reduce post-close risk and lead to higher multiples

Cohesive Strategy

- o Articulate strategic plan, growth multiples, and confidentiality across data rooms

Thought Leadership

- o Using external advisors to validate vision and owner being emotionally ready for the transition

Being Prepared to Sell the Company

Here Are Some Other Major Things to Consider

Determine Your Objectives: Identify your personal and professional goals for the sale, such as achieving a specific sale price, ensuring employee retention, or facilitating your retirement

Conduct a Comprehensive Business Evaluation: Review financial statements, assets, liabilities, contracts, and intellectual property

Organize Financial Records: Gather 3-5 years of financial data, including statements, tax returns, and cash flow statements.

Address Compliance and Regulatory Matters: Ensure your business complies with all applicable laws, regulations, and permits

Engage a Professional: Hire a qualified professional to determine a realistic market value for your business or to lead your exit planning process



Financial Advisor's Role at Each Stage

Before the Banker, During the Process & After the Close

1) Before a Banker is Engaged

- Leverage all the insights learned thus far from today's session to proactively guide clients through governance, diligence, valuation expectations, and emotional readiness
- Encourage clients to perform a sell-side quality of earnings (QofE) analysis in advance to avoid surprises and control the narrative
- Help clients assess emotional and financial readiness

2) During the M&A Process

- Stay close to the deal team to monitor shifting terms, post-tax outcomes, or risks to liquidity
- Advisor guides client through emotional hurdles like founder identity loss or deal fatigue
- Provide the “outside the deal” lens
 - Example: Consider how this will affect family, lifestyle, philanthropy, or future ventures

3) After Closing the Deal

- Manage new liquidity including balancing income-producing portfolios, private investment re-entry, and strategic philanthropy
- Counsel clients on the next steps
- Deploy a reinvestment strategy that balances risk with client identity
 - Example: Consider if the seller is ready to be a passive investor



Final Thoughts and Q&A

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