

How to Increase Revenues and Earnings in a Slow Growth Economy

“Buy and Build”

Is this an opportunity for you or your clients? One of the most prolific ways in which private equity firms and larger public and private companies build shareholder equity value is in pursuing “**Buy and Build**” strategies. Simply put, a “Buy and Build” strategy involves acquiring complementary businesses which offer synergies and leverages attributes of each company resulting in the combined business having more value than the two taken separately. Larger companies who understand this dynamic often have their own corporate development departments to focus on these initiatives. Those not having captive corporate development departments, or experience in making strategic acquisitions, may find the concept daunting and that is where **Windward Advisors can help**. First, let us look at how benefits are derived from this strategy.

Acquisitions of Complementary Businesses Can:

- Increase revenue and earnings
- Expand and/or diversify product lines
- Offer geographic and/or customer diversification
- Provide increased capabilities
- Help to utilize excess capacity and absorb costs
- Eliminate duplicative expenses in areas such as finance, accounting, and human resources
- Eliminate a competitor
- Serve as a means for identifying and gaining employees and talent
- Provide a means to identify and adopt “best practices”, and
- Provide for additional purchasing power and financing leverage

Aside from the measurable benefits described above there is also the derived benefit based on the perception that larger, more diversified companies have a higher intrinsic value. For example, a company having an EBITDA of \$5 million today may trade for a multiple of 6 times. That same company, however, by virtue of just being larger with an EBITDA of \$10 million, may trade now for an EBITDA multiple of 7 times. This arbitrage gain, as it is referred, is a general assumption made by buyers and investors. Every situation is unique however, depending on the company and its industry, and researching the potential for a successful “Buy and Build” strategy is a function for corporate development for presentation to management.

Over the past several years many companies have taken expense cutting and austerity measures to become as profitable as possible at their current revenue levels. Many, however, have also found that achieving meaningful organic growth has been difficult. Concurrent with this has been the phenomena of ageing “Baby Boomer” business owners deferring the pursuit of exit strategies and holding on to their companies longer than they had planned due to economic conditions and fears of inability to replace income. These respective situations and current conditions have created an environment with the opportunity to satisfy the needs of both with an effective acquisition strategy. With the pent up number of aging owners needing successful exit strategies there is an unprecedented percentage of owners who are more willing to entertain serious discussions regarding sales of their companies to credible, sincere, industry participants expressing interest.

How can we help? With extensive experience in performing acquisition searches and executing “Buy and Build” strategies, the principals of Windward Advisors provide outsourced corporate development services to assist business owners in acquiring strategic and complementary businesses. We do this by helping to:

- Clarify goals and define very specific objectives
- Develop specific acquisition criteria (size, geography, product, service, etc.)
- Conduct extensive searches to identify prospective candidates based on determined criteria
- Contact each prospect citing specific reasons for inquiry and determine interest of each in entertaining discussions
- Engage in dialogue, exchange confidentiality agreements and gather information on each candidate
- Analyze and summarize information on each and advise on compatibility and value
- Negotiate terms, review purchase agreements, coordinate due diligence activities and close on transactions.

By running a formal buy-side search **(i)** multiple opportunities may be identified affording alternatives and selection; **(ii)** negotiating leverage is maintained by having comparative options from which to choose; and **(iii)** a better understanding of strategic growth opportunities is developed and refined.

In addition to the above, the execution of a successful “Buy and Build” strategy **will require the support of others including the company’s accounting and law firms, bankers, financial advisor to sellers, and others as determined.** As an outsourced corporate development provider we can help coordinate these activities and assist as needed. **If you think you, or a client, may have an interest in exploring strategic acquisitions as a “Buy and Build” growth initiative, we would welcome having a no obligations exploratory conversation to discuss the current situation and how we may be of service.**

Windward Advisors, LLC is a buy-side, capital raise, sell-side and corporate growth advisory firm. Windward specializes in helping business owners better prepare their businesses, with the intention of increasing shareholder value by providing strategic planning and corporate growth advisory services, and by representing owners in the execution of sales, acquisitions, and financial structuring transactions. Windward is an advocate of ensuring that business owners are knowledgeable about their alternatives and we work closely with other trusted advisors to assist owners with properly preparing before pursuing transactions.

If you are interested in learning more, please contact us for a no cost and no obligation consultation.

Steve Howell showell@towindward.com or Barry Johnson bjohnson@towindward.com
 Managing Directors
 (804) 784-7191

Mr. Howell and Mr. Johnson are Registered Representatives of, and Securities Products and Investment Banking Services are offered through BA Securities, LLC, Member FINRA SIPC. Windward Advisors, LLC is a separate entity from BA Securities, LLC. Windward Advisors, LLC and BA Securities, LLC are not affiliated entities.