7 Questions
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1. What Trends are Shaping My Industry

**Products / Operations**
- Technology / R&D
- Product differentiation
- Point versus suite
- Margin pressure
- Growth inhibitors

**Capital Markets**
- IPO / Follow-on activity
- Private equity activity
- Valuation metrics
- New forms of capital

**M&A**
- Emerging sector leaders
- Acquisition rationales
- Competitive landscape
- Valuations

**Other**
- Regulatory Information
- Industry “Buzz”
- Unbridled enthusiasm

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**Diagram Description**
- **Industry**
  - Employees
  - Suppliers
  - Customers
  - Competitors

- **Products / Ops**
  - Products / Operations

- **Capital Markets**
  - Capital Markets

- **M&A**
  - M&A
2: What is MY best strategic alternative?

The state of the markets and shareholders/management objectives are key factors

Assuming a sale makes the most sense, there are potential benefits:

- Liquidity For Shareholders
- Combined Company May Be Operationally Stronger
- Access to Greater Financial and Operational Resources
- Larger Cap Companies Normally Have Less Market Risk and Value Fluctuations
- Timing of Sale May be Optimal Depending on Sector
- Better Management Incentives/Morale
- Post-Acquisition Synergies May Increase Value of Whole

However, not without risks…

- Loss of Independence and Limited Say in Combined Company
- Process May Distract Management
- Inability to Realize Synergy
- Impact of Potential “Leak” on Employees and Competitors
- May Create Uncertainty Among Key Customers
- Buyer Currency Risk
3. What am I Worth?

Valuation Methodologies may Provide a Range of Value, But...

Ultimately, the Market Determines Your Worth.
4. Who are the Most Likely Buyers?

Those most familiar with the seller will tend to be most interested, although it usually pays to go to a broad universe.
It depends on the number of parties contacted and interest levels

- **Negotiated Transaction**
- **Rife Shot**
- **Limited Auction**
- **Broad Auction**

*Complexity / Time* vs *Buyers Contacted / Potential Value*
6. What Will it Cost?

In many cases, buyers (directly or indirectly) pay sellers’ costs.

Investment Banking:
Retainer Plus Success Fee

Legal:
Hourly or Fixed Fee

Accounting:
Hourly or Fixed Fee
7. Why Should I Hire You?

There are several important factors the client should consider in choosing an investment banking firm:

- Do they know my industry?
- Will I get the "A Team"?
- What's their experience?
- Do they know the buyers?
- Do I trust them?
- What's their track record?
About Covington

Covington Associates is a premier boutique investment banking firm with offices in Boston, Chicago, and New York. Founded in 1991, the vision for Covington Associates has been to provide our clients with the highest caliber of senior-level attention and to remain an advice driven and results focused organization. Covington offers advisory services in the areas of mergers and acquisitions (“M & A”), capital raising, strategic advisory, fairness opinions, valuations and follow-ons to middle-market companies across the Healthcare, Business Services, Consumer & Industrial, and Technology verticals. Covington Associates has completed more than 200 transactions globally for both private and publicly traded companies with compiled transaction value in excess of $15 billion.

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