



ACHIEVING YOUR  
BUSINESS GOALS  
WITH BLUE SKY

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## THE BLUE SKY MISSION

Blue Sky Business Resources delivers a comprehensive range of growth, transaction and advisory services, founded on an approach that provides a regret free experience.

## WHAT WE DO

Blue Sky Business Resources provides advisory services to business owners, helping maximize business potential. Our team has dedicated advisors with real world experience that can support the needs of your operation from inception, through the many stages of growth, and through to a successful exit.

# IS BLUE SKY RIGHT FOR YOU?

As a business owner, you are inundated with hundreds of questions, offers, and decisions to make every day. We understand, we have been there too. We have sifted through that noise to find the right partner to help solve issues when it wasn't feasible to do it on our own. The Blue Sky team is the expert you can rely on so you can focus on what you do best, running your business.

## Our Services

- Business and Market Value Analysis
- Consultancy
- Sell-Side Mergers & Acquisitions Services
- Buy-Side Mergers & Acquisitions Services
- Due Diligence Services
- Commercial Real Estate



Throughout this information we have shared case studies of clients we have worked with in the past. You may find that some of the scenarios ring true for you as well. If so, we should have a conversation to see if we can help. Blue Sky's mission is to provide you with a regret free experience and an important component of that mission is to truly partner with our clients. When you interview us, we are also interviewing you. The best outcomes result from a genuine partnership where both parties can work together for mutual benefit. We believe that this sets Blue Sky apart from the other noise you hear as you search for the right partner.

# BUSINESS & MARKET VALUE ANALYSIS

Our advisors possess the necessary skills to handle the complex details involved in the merger, acquisition, or consultancy of a business. The first step in any process is to determine a realistic market value. Our valuation experts and advisors work together to perform a thorough analysis of your business. A comprehensive analysis of similar businesses in your industry and size range that have sold in the market place is also completed.

## Requested Documents

### Profit and Loss Statements

- Past 5 complete years
- Monthly P&Ls for the past 12 complete months
- Annual Financial Projection/Pro-Forma (up to 5 years)

### Balance Sheets

- Year end Balance Sheets for the last 5 years
- Past 12 complete months

### Additional Information

- Listing of major pieces of equipment and estimated values
- AR Aging Report
- AP Aging Report
- Depreciation Schedule
- List of top 10 customers for the past 5 years by percentage of revenue
- List of top 10 suppliers for the past 5 years by percentage of revenue
- Copies of Owner's W2s for the past 5 years



Whether you are growing your company or starting to exit plan, the Business & Market Value Analysis (BMVA) is your starting place. The result of the BMVA is an all-inclusive report you can utilize to make an educated decision regarding the future goals of the business and your personal endeavors.



# BMVA CASE STUDY

## Unknown Business Value

According to many business surveys, approximately 85% of business owners do not know the value of their largest asset, their business. This was also the case for the owner of a manufacturer who was counting on the proceeds from the sale of the business to fund his retirement.

Over the years, he had a gut feeling that the business was worth \$8M but had no documentation backing up that figure. The owner was beginning to feel burnt out but continued on as usual because \$8M did not fund his retirement goals. He thought that if he worked a few more years that he could put more money away from his salary and get closer to the number he needed to retire.

As the burnt out feeling became harder to ignore, the business owner spoke with his Financial Advisor and CPA to see if they could make any suggestions. Both trusted advisors recommended he call Blue Sky.

## How Blue Sky Helped

Blue Sky sat down with the business owner and his trusted advisors to learn about the situation and owner's goals for the business and retirement. After analyzing the business and current market conditions the BMVA showed that the business was worth \$2M more than the owner's gut feeling.

The \$10M valuation of the business satisfied the owner's retirement goals and allowed him to confidently make the decision to sell the business.



# BMVA CASE STUDY

## Ready to Grow

A precision machining business owner contacted Blue Sky looking for advice on whether or not it was time to sell. His business was concentrated in Oil & Gas and had finally recovered from the 2014-2015 oil crash. The owner did not have to sell the business but also didn't know what his options were to try and avoid the large decrease in revenue if oil dropped again.

The BMVA provided a value that met the owner's minimum price expectations. However, it also indicated there were critical areas of the business that had room for improvement and were bringing down the value.

The first issue identified was how concentrated the business was within only three industries, the main one being Oil & Gas. Putting on a buyer's hat, high customer concentration is very risky. As previously mentioned, the owner had already seen the negative effects of concentration in Oil & Gas when 1/3 of the total revenue disappeared during the crash.

The second issue identified was the lack of a management team. The owner was the business, wearing multiple hats HR, sales, accounting, scheduling, etc. Again, this presents risk to a potential buyer. Typically the seller stays for a transition period and then exits the business. If the owner holds the key relationships and/or the secret sauce for running the business, the buyer may have problems after the seller leaves.

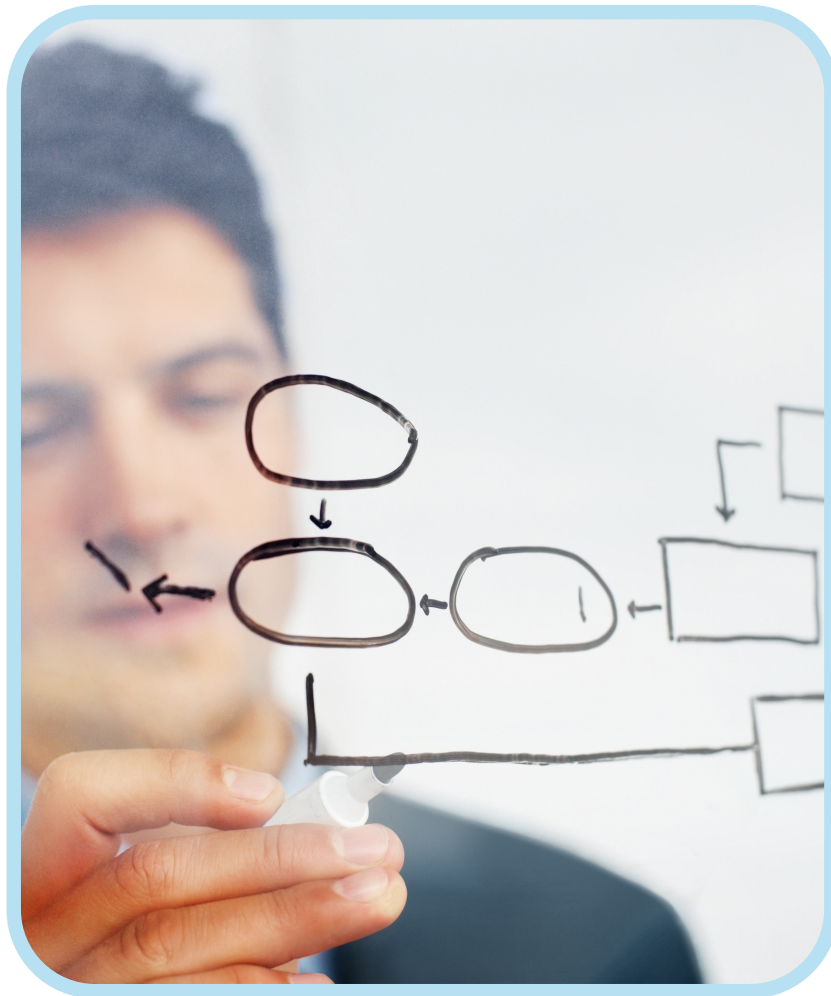
## How Blue Sky Helped

Blue Sky suggested holding off on an immediate sale and taking a few proactive measures to mitigate risk. We recommended expanding services into additional industries to reduce the customer concentration issues. The business had the capacity to expand so this would also increase total revenue. We also recommended developing a leadership team. Passing along key relationships, operational knowledge, along with other "hats" to a leadership team strengthens the overall business and allows operations to run smoothly when the owner steps away periodically.

Using the BMVA and guidance provided from the Blue Sky team, the owner made an educated decision to work on the business and sell at a later date, most likely at an increased value.

# CONSULTING SERVICES

Whether the business has a short-term issue that requires additional resources to resolve, or management is looking for a partner to support achieving major strategic initiatives, the Blue Sky Business Resources Consulting division has a team of seasoned experts that can facilitate success. Blue Sky Consulting Services provides a full range of services to support and facilitate any number of optimization initiatives. Business owners face any number of strategic decisions every single day. The Blue Sky Process employs proven project management techniques and systems to ensure consistent delivery of exceptional outcomes.



# THE PROCESS OF OPTIMIZING YOUR BUSINESS

## Step 1: Business & Market Value Analysis

**Duration:** 2-3 weeks **Client Engagement:** Moderate **Outcome:** Strategic Plan

- Valuation Analyst, M&A Advisor and organization's management team work together to identify and prioritize opportunities
- Benchmarking and industry comparisons identify areas of most meaningful opportunity
- Advisor and organizational management work together to convert BMVA findings into a near and long-term strategic plan



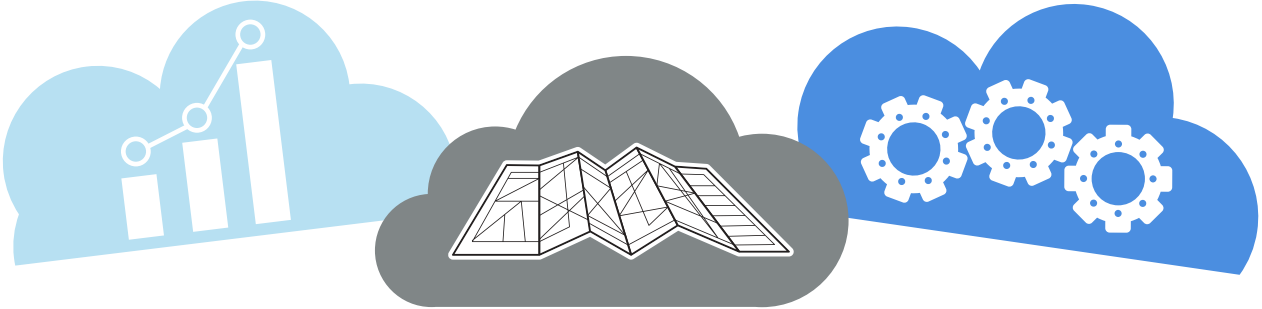
## Step 2: Engagement Proposal

**Duration:** 1 week **Client Engagement:** High **Outcome:** Project Expectations

- Advisory Team presents an engagement proposal for successful completion of strategic objectives
- Proposal will present fees, expectations, and obligations of both parties should they proceed with the engagement



# THE PROCESS OF OPTIMIZING YOUR BUSINESS



## Step 3: Organizational Assessment

**Duration:** 4-8 weeks **Client Engagement:** High  
**Outcome:** Comprehensive Strategic Plan

- The organizational assessment stage includes all elements of preparation for successful execution of strategic plans
- Begins with leadership's input to articulate where the business is today
- Blind surveys allow for a true picture of the operations to determine trends, alignment, distinct threats, and specific needs as seen by boots on the ground

## Step 4: Foundation Development

**Duration:** 12-52 weeks **Client Engagement:** High  
**Outcome:** Execution of Strategic Plan

- Focus is on durable transformation of the business
- Working with leadership team to develop organizational structure process to ensure a lasting result

# THE PROCESS OF OPTIMIZING YOUR BUSINESS

## Step 5: Change and Optimization

**Duration:** 16-60 weeks **Client Engagement:** Moderate  
**Outcome:** Fine Tuning and Successful Completion of Strategic Plan

- Implementation benchmarked and continuously measured against milestones, KPIs, and budget
- Variances from the project map will trigger mid-stream adjustments in accordance with risk assessment and contingency plans
- Consistent, effective monitoring and control prevents scope creep and maximizes quality of outcomes



## Step 6: Closing Review

**Duration:** 2-4 weeks **Client Engagement:** High  
**Outcome:** Closure and Documentation

- Closing involves more than simply completing a project, this stage includes comparing implementation against the plan, outcomes against goals, and the recognized returns against proposed IRR
- Transfer of knowledge involves documenting the systems necessary to support the durability of project outcomes
- Documentation of lessons learned from the closing review will support subsequent strategic efforts

# CONSULTING CASE STUDY

## Serving the Wrong Market

In some cases, geographical expansion can throw a wrench in years of experiential success. Take the case where a business owner came to us with an exceptionally successful brand with better than a fifteen-year track record of success. They were stymied by the fact that one branch could not seem to make money. While all of their branches were returning a healthy profit month over month, this one branch was posting significant losses every single month. Owners were confused, they transferred their top talent over, tried several promotions, and pretty much everything else they could think of. Nothing worked. By the time they reached out to us, they were beyond the point of frustration.

A thorough analysis of the regional market showed that the demographic of this area was significantly different from the other branches. While on the surface, all of the indicators the organization looked at were well aligned with their growth strategy and consistent with other areas. The area was experiencing significant growth, the people moving to the area were within the proper age demographics at the center of their target market, and property tax values were high. Looking a little bit deeper, however, revealed that the growth in this particular neighborhood was occurring at a much higher leverage ratio than other markets where the organization thrived. Careful examination revealed that the problem was that there was a significant gap in the liquidity of the market, which impacted the ability rather than the desire to patronize our client's branch. No amount of marketing or brand development could bridge the gap, and the brand itself was a deterrent to many within the market based on a well-established understanding of the price point.

## How Blue Sky Helped

With this client, we were able to pivot the entire branch to develop a new brand and product offering that better aligned with the demographic. With a lower price point and a brand identity that offered high quality and a touch of nostalgia, the company was able to diversify its portfolio while righting their ship. Within four months, the branch was turning a healthy profit, and they never looked back. Out of this process, we were able to provide a better tool for targeting geographic expansion opportunities, a second brand offering for serving multiple end markets, and profitability where there were previously significant losses.

# CONSULTING CASE STUDY

## Growth Recapitalization

It is not uncommon that in conversations with a business owner, they express frustration at knowing there is a major growth opportunity in front of them they are simply not equipped to capture. There are different obstacles these owners identify, but most of them boil down to a lack of capital, a lack of expertise, or the wrong internal management system. This situation is a perfect opportunity for a growth recapitalization. The concept is that the owner sells off a portion of their equity to create a business partnership with someone who possesses what the organization is lacking. In a recapitalization, the owner maintains an ownership stake so they can participate in achieving next-level growth and sharing in the value that is generated.

In one such case, a business owner stated he was currently producing around \$10M in revenues but was certain there was an opportunity to be at \$100M if only he had access to capital. After running through our process with him, we agreed that the untapped potential was certainly there, determined he had the proper skill set and internal systems to scale tenfold, and such growth would require access to capital in blocks of \$10 - \$50M. We also determined at the heart of the operation, its growth opportunity was a strong relationship component. At the end of our analysis and a findings review with the owner and his leadership and advisory team, we determined we were looking for a recapitalization partner who was aligned with the company's culture, vision, and core values first and foremost, and that secondarily the new partner would need to prove a capacity for quickly facilitating large sums of capital for inventory acquisition purposes.

## How Blue Sky Helped

It took eight months to find the right partner. Many candidates entered the process and most were eliminated before meeting with the owners. A handful of candidates were invited for tours of the facility and discussions with leadership. One group rose above the rest with a good match of personalities, an alignment of vision, and proven ability to supply capital as needed. They also brought several new relationships to the table as potential new clients. Within two years of closing, the team was producing \$50M in revenues and was on track to exceed \$75M in year three. The founder was filled with new energy and passion for his organization as he was able to realize the potential he had known out there. The recapitalization created a partnership that is growing stronger every year, and the business is quickly earning its place as a market leader within their industry.



# SELL-SIDE SERVICES

The time comes for every business owner when the strategic planning turns to exit planning. Blue Sky Business Resources is ready to be your trusted partner throughout the process. Beginning with a BMVA to establish a reasonable expectation of market value, we can determine together whether now is the best time to proceed with a sale. Every sell-side engagement is given a dedicated advisor who will manage every stage of the process. Your dedicated advisor will have the full resources of the Blue Sky team and proprietary process management tools to ensure success.



# THE PROCESS OF SELLING YOUR BUSINESS

The Blue Sky transaction process is designed to keep things moving in a timely manner and keep all parties informed. Each step is defined with approximate duration, client level of involvement and desired outcome.



## Step 1: Business & Market Value Analysis

**Duration:** 2-3 weeks **Client Engagement:** Moderate **Outcome:** Mutual Assessment

- Valuation Analyst, M&A Advisor and Client work together to formulate clean analysis of business financials, operations and place in industry
- Valuation Analyst evaluates industry performance, outlook, and comparable transactions in the M&A marketplace
- Client and M&A Team assess how well they work together and whether an engagement to sell makes sense

## Step 2: Engagement Proposal

**Duration:** 1 week **Client Engagement:** High **Outcome:** Terms of Transaction

- M&A Team presents an engagement Proposal for representing client in the sale of their business
- Proposal will present fees, expectations and obligations of both parties should they proceed with the engagement

# THE PROCESS OF SELLING YOUR BUSINESS

## Step 3: Preparation to Market

**Duration:** 3-6 weeks **Client Engagement:** Moderate

**Outcome:** Complete Marketing Package

- Client will be interviewed and M&A Team will dig more deeply into business in order to fully understand the history and opportunity
- A Confidential Information Memorandum (CIM) will be written and all marketing materials are created by the Blue Sky Team
- A marketing plan and target buyers list is compiled and all materials are approved by client

## Step 4: Marketing

**Duration:** 4-12 weeks **Client Engagement:** Low **Outcome:** Buyer Outreach

- M&A Team executes approved marketing plan, vets potential buyers, and works toward the receipt of written offers
- The process entails a series of email and phone conversations with all potential buyers answering
- The client is not involved until M&A Advisor is sure that buyer is a likely fit and value expectations are acceptable to client

## Step 5: Negotiation

**Duration:** 2-4 weeks **Client Engagement:** High **Outcome:** Terms of Transaction

- Indications of Interest (IOI) are collected, and candidates are chosen; site visits and management introductions are scheduled
- All efforts lead to the generation, negotiation and acceptance of a Letter of Intent (LOI).

# THE PROCESS OF SELLING YOUR BUSINESS

## Step 6: Due Diligence

**Duration:** 8-12 weeks **Client Engagement:** High

**Outcome:** Vet facts and prepare to close

- Financials and operations are audited by buyer's team, the purchase agreement is drafted, and preparations are made for closing
- All trusted advisors (M&A, legal, tax, accounting, etc.) are involved in due diligence

## Closing

**Duration:** 1 day **Client Engagement:** High **Outcome:** Sale Completed

- Documents are signed and the business and money change hands



## Transition Period

**Duration:** As Negotiated **Client Engagement:** High

**Outcome:** Transfer of Knowledge to new ownership

- Transitioning client and supplier relationships to new ownership
- Transfer of operating knowledge to new ownership
- Transition periods may be 6 months to 5 years, and are written into the purchase agreement



# SELL - SIDE CASE STUDY

## Ready to Sell

A referral partner contacted Blue Sky in search of buyers for a boat dealer they were actively marketing to prospective buyers. Our Business and Market Value Analysis indicated there were two major concerns that needed to be addressed. We worked with the listing agent and business owner to resolve the identified issues.

The first issue identified was the current valuation had add backs that were not normal or customary. The listing agent added back two items; flooring interest (the interest charged on boats in inventory), and an add back for non-normalized rent.

The second issue identified was the lack of a complete management team. The owner was a significant portion of the business, wearing multiple hats for sales, purchasing, and executive management. The owner also wanted to exit the business shortly after the sale. This presented risk to a potential buyer. Typically, the seller stays for a transition period and then exits the business. If the owner holds the key relationships and/or the secret sauce for running the business, the buyer may have problems after the seller leaves.

## How Blue Sky Helped

Blue Sky suggested normalizing the net income of the business utilizing acceptable adjustments. This entailed removing the flooring interest adjustment as well as making an adjustment to reflect a market rate rent.

In the offering memorandum, we stated a long-term employment contract with the current owner was possible and we identified a number of key employees that could be promoted to fill in the gaps. These statements demonstrated the owner's awareness and willingness to work through the concerns.

Blue Sky showed the opportunity to several potential buyers, which led to a signed Letter of Intent (LOI). Blue Sky's continued involvement through the due diligence / financing process was critical to the eventual completion of the transaction. Blue Sky was able to navigate both parties through intense emotions and additional negotiations to successfully close. Since closing the transaction, the previous owner has worked diligently to increase revenue and profits. The new owners have relieved him of his stress point and have expanded the business into a multi-state operation. Both parties continue to work with Blue Sky on new initiatives.



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