

The logo for SC&H Capital, featuring the letters 'SC&H' in a white, serif font on a dark blue square background.

CAPITAL



CAPITAL INSIGHTS

NAVIGATING THE ELEMENTS OF MIDDLE MARKET INVESTMENT BANKING WITH THE SC&H PROCESS

Crafting an effective succession plan for a middle market business is a daunting, complicated exercise. The margin for error is inherently narrow—all the more so for a business intent on independently weighing the many variables that are integral to its long-term success. On the other hand, partnering with a team possessing extraordinary knowledge of and transactional expertise in the middle market is a particularly valuable resource in achieving a business’ long-term goals.

From the outset, SC&H Group was intent on establishing an investment banking arm that was purposefully distinct of the conventional model. While nevertheless emphasizing transactional expertise, SC&H Capital was built to meet the varied needs of middle market companies and to leverage adjacent resources within the firm.

We have built a growing team of professionals with traditional investment banking backgrounds, who ultimately recognized the unique platform SC&H Capital was built upon. What sets us apart? Simply stated our transaction experience exceeds our competition, in addition we have internal tax, accounting, and management consulting resources that are of integral value to our clients. Throughout the process of partnering with our clients, if they require advice or support, they can pick up the phone, speak with an internal subject matter expert, and we will communicate a solution to our client immediately.

We work with middle market and growth companies at different stages of their business lifecycle whether they are in a position to launch, grow, or exit. At each milestone the SC&H Capital team navigates external or internal influences with our clients, enabling us to fully exceed their aspired objectives.

Our proven process is industry agnostic. We acknowledge and appreciate the intricacies of each industry’s strategic expectations, but we are steadfast in leveraging proven strategies and tactics when we know they will lead to success regardless of an organization’s specialty. SC&H Capital is committed to the industries that are well populated by middle market businesses:



HEALTHCARE



GOVERNMENT CONTRACTING



MANUFACTURING



DISTRIBUTION




PROFESSIONAL SERVICES



TECHNOLOGY



VERSATILITY AND DIFFERENTIATION ARE REQUIRED IN TODAY'S MARKET



“When the field is crowded, if you can’t position yourself as being different and showing something that’s truly extraordinary, you’re not going to stand out—and you’re not going to achieve your business objectives. More often than not, positioning technology as a differentiator provides positive transactional outcomes.

Greg Hogan
Director
SC&H Capital

Technology is changing daily, and will continue to change. Not only is it shifting, but the opportunity for technology to integrate within every industry is proven. We are adept at keeping our finger on the pulse and really understand these changes, because it’s about positioning.

SC&H Capital’s robust expertise across industries within the middle market enables the firm to establish and maintain relationships throughout the transaction spectrum. A big part of our business is staying in touch with the buyer universe, whether that be strategic buyers or private equity buyers. We talk at length with them not simply about trends we see happening today, but the trends we see emerging.

Investors are looking to get ahead of their competition and look at emerging trends. We spend time working with these buyers to learn what’s in their pipeline, what kind of opportunities they are reviewing and looking for trends for the next three to five years down the road. These insights and partnerships are very important to our process and are what helps us when advising our clients.

OUR ABILITY TO NAVIGATE TODAY'S MIDDLE MARKET COMES DOWN TO FOUR CRITICAL SUCCESS FACTORS:



IDENTIFY AND PRIORITIZE YOUR BUSINESS OBJECTIVES

A seller typically has multiple business objectives, some of which have the potential to be at cross-purposes with one another. Therefore, in addition to clarifying each objective in practical terms, it's essential that they be ranked in descending priority order. In turn, these objectives will serve as the criteria for a successful transaction, in addition to supporting the underlying go to market strategy.



EVALUATE THE INDIVIDUAL MARKETS OF GREATEST POTENTIAL VALUE

Based on the prioritized business objectives, assessment is performed of both adjacent and non-adjacent markets in which a company's assets are particularly valuable, as well as the prevailing trends affecting a company's operations.



POSITION THE BUSINESS IN THE MARKETS OF GREATEST POTENTIAL VALUE

The centerpiece of any effective transaction is a strategy for positioning a company that maximizes its strengths, while minimizing its weaknesses, based on the opportunities and threats in a given market. An effective positioning strategy enables the seller to realize his business objectives, while simplifying the due diligence associated with any transaction.



DEMONSTRATE A BUSINESS' INTEGRITY AND LONG-TERM VALUE TO POTENTIAL BUYERS THROUGH THE USE OF DATA

Financial honesty and transparency is a basic expectation when running a business, but more so when considering long term value. Another leg of our positioning strategy is rooted in data analysis. We perform a rigorous analysis of our client's financial and operating data and vet the data prior to going to market, so much of the rigor inherent in due diligence has already been performed. Still, it is important to account for any subsequent market trends or other variables that have the potential to affect a company's long-term performance.



OUR UNIQUE APPROACH TO MIDDLE MARKET M&A

Over the course of more than 150 deals with a transactional value approaching \$10 billion, SC&H Capital has honed an approach to M&A that allows us to execute on our expertise despite an ever-changing middle market climate. It is this approach, along with our in-depth knowledge of key industries, which enable sellers to cost-effectively achieve their business objectives, whether through third party sales or employee stock ownership plans (ESOP).


We focus on more than just a transaction. That focus is on the planning, understanding, and positioning of every client, maintaining a level of flexibility and patience as each client plots a new course for their business. We make sure we're providing the best advice and counsel as we work together to meet the desired objectives.

The cornerstone of SC&H Capital's business model, and therefore the first phase in our approach to M&A, is to fully understand what our clients want to achieve. Often, a client will initially contemplate a transaction with a specific outcome in mind, only to realize that a different type of transaction—or a transaction in a very different market—represents the best, most cost-effective means of achieving their business objectives. The purpose of the 'clarification and analysis' phase is to assess a client's options with an open and strategic mind.

We approach our work with clients as a long-term strategy. In many cases, we work and interact with them for years in advance of a transaction. As a result, we gain a very deep understanding of our clients' goals and really differentiate ourselves by advising them on which transaction structures can help them maximize all of their goals. That may mean that clients that come in thinking they want to sell their business to a particular buyer may end up doing an ESOP and vice versa.

In turn, the 'positioning' phase evaluates the relative worth of a business, in addition to prioritizing the markets of greatest potential value—all based on the client's business objectives. Based on the responses of prospective buyers, the seller is often in need of additional clarity surrounding their accounting, tax and personnel implications of individual offers. Naturally, the 'negotiation' phase ensures in the event that the seller accepts a buyer's offer.

The fourth and final phase is where SC&H Capital adds the most value in the M&A process. Our team utilizes data to point to the clients' long-term business outlook and their ultimate value; setting the stage to market competitive advantages in the crowded M&A environment.



“Our approach to every transaction starts and ends with a strong team to execute on our process. The value for our clients in this approach is the ability to work with a seasoned investment banking team architected to match their strategic objectives and nuances of an engagement – creating synergy and ultimately a successful outcome.”

Christopher Helmrath
Managing Director
SC&H Capital

EACH PHASE OF OUR APPROACH PLAYS AN ESSENTIAL ROLE, BUT KNOWING WHAT THE CLIENT WANTS AND POSITIONING THE BUSINESS ACCORDINGLY IS PARTICULARLY VALUABLE.

1

CLARIFICATION AND ANALYSIS

An evaluation of the marketplace and transaction options based on a seller's unique circumstances and business objectives.

- Clarify a client's business objectives
- Identify the markets of greatest potential relevance
- Prioritize the opportunities and threats within each market
- Weigh the relative merits of either a third party sale or ESOP

3

NEGOTIATION

The process for maximizing the sale price and achieving the most favorable terms.

- Establishing a well-founded strategy supporting a desired price and other essential terms of the transaction
- Knowing the buyer and their key objectives in consummating a deal
- Positioning the future combined accretive benefits to each specific buyer

2

POSITIONING

A strategy for showcasing the business in the markets of greatest potential value.

- Gauge the business' perceived strengths and weaknesses
- Estimate the business' relative value in potential markets
- Develop and promote value propositions for the business in priority markets

4

DATA-DRIVEN DUE DILIGENCE

The use of data to demonstrate a business' integrity and long-term value to potential buyers.

- Recognize the individual roles of the due diligence team members
- Understand what the team members are looking for—and why
- Anticipate needs not originally expressed by the due diligence team

CONCLUSION

All companies face difficulties when it comes to sustaining growth due to unpredictable economic conditions and competition. Middle market companies have unique challenges and opportunities to capitalize upon the challenges to stand out despite a crowded and competitive M&A environment.

The SC&H Capital team works to alleviate and navigate these hurdles through educating our clients on capitalization considerations, understanding the capital and debt markets, formulating and acting on growth strategies, and determining what the business is worth. Naturally, all of these factors have an impact on the M&A process.

Our decision to focus exclusively on the middle market has provided our team with a wealth of knowledge in this space. Maintaining this keen focus allows us the ability to benchmark through our due diligence efforts, data, and past experience to meet the needs of our clients.

Through our upfront honest discovery we determine if we are the appropriate partner to collaborate with your team, to understanding the full scope of strategic options from the outset; and work to define your objectives to advise on the best transaction structure to yield optimal results. In the end we form a relationship serving as a business owner's confidant casting invaluable reliability and intimate familiarity that goes above and beyond our competition.



“We’ve built a team and process at SC&H Capital that is grounded in perspective, tenacity, and meaningful outcomes.”

Matthew Roberson
Director
SC&H Capital

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ABOUT SC&H CAPITAL

SC&H Capital, an affiliate of SC&H Group, is a premier investment bank and advisory firm providing merger and acquisition (M&A), employee stock ownership plan (ESOP), and business valuation solutions globally leading middle market companies. SC&H Capital advises leading companies across numerous industries including technology, healthcare, manufacturing, and government contracting to help owners maximize their exit planning goals and liquidity objectives. To learn more visit www.schcapital.com

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