



# iMerge Advisors Buy Side Deal Origination Process



# Process.



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## Interview



### Questions

- History of the company?
- What objectives to accomplish?
- Most important factors?
- Biggest Concerns?
- How to proceed?



### Discuss

- Timing of an acquisition
- Deal Size Capabilities
- Financing
- Expectations
- Current Market Conditions
- iMerge's fee structure
- Any other questions you may have



### Side Bar

There are a variety of models that buy-side firms deploy.

- Obtain a potential seller in name only at low monthly price (ex. \$250-\$2000/mnth) non-exclusive "spray and pray" search.
- Expensive with a "we are working on it" lack of transparency to put a single deal in front of you as the only option available.
- Non-Retained On-Market search where you are competing with many other buyers.
- Full Service Exclusive deal origination process for both off-market and on-market targets from research to closing with full transparency.

At iMerge we treat each client as a partner with full transparency while maintaining the highest levels of integrity.

## Strategy Acquisition Planning & more



### iMerge will familiarize itself with your Company's:

- Products & Services
- Management Team
- Management Philosophy
- Markets
- Operations
- Properties
- Financial Condition
- Other consultant relationships



### iMerge will advise, assist and complete the:

- Developing of an acquisition strategy (\*if needed)
- Developing of a capitalization strategy for acquiring a target or targets (\*if needed)
- Identifying, qualifying, contacting and developing interest with potential targets



### iMerge will familiarize itself to the extent appropriate & feasible with the target's:

- Management team
- Markets
- Operations
- Properties
- Financial condition
- Management Philosophy
- Future growth prospects

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## Build a List of Ideal Off-Market Targets



### Who We Work With:



### iMerge Toolset

At the expense of nearly \$50,000 a year iMerge maintains an extensive database of Companies (Over 19 million worldwide) and executive contacts, including private equity and venture capital owned portfolio companies.



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## Outreach, Engage & Screen Targets

1

### Direct Outreach

- Via a series of emails to a Target's Chairman, CEO, Founder and/or Co-Founder or other
- Via LinkedIn Connection Requests
- Via LinkedIn InMails
- Via Direct Phone Calls
- Via Text Messaging (if available)
- Via Social Media (If available)

2

### Engage

- Is the Target interested in selling, entertaining an offer and learning more about the buyer?
- To cut through all the noise the Target is directed to a personalized landing page about your company that conveys this is a serious acquisition opportunity of his/her business.

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### Qualifying

- **iMerge** conducts preliminary calls with interested Targets to answer questions and learn more to determine if the company is a suitable Target to continue the process.

## Near Real Time Updates & Monthly Reporting Summary

iMerge provides full transparency to the activity occurring behind the scenes.



## Deal Origination Review

Initial Target  
Count  
751

Filtered Seller  
Targets Remain  
55

Dead Deal  
Count  
21

Live Active  
Sellers  
4

### Aggregated database of targets

- iMerge internal database
- LinkedIn Sales Navigator
- Cyndx
- Pitchbook
- Others - ex. Review sites

[Link to Initially Captured Targets](#)

### Remaining balance of potential targets after:

- Removing MSP or IT Service Companies
- Removing resellers of data backup companies
- Removing others not within [redacted] wheelhouse

[Link to Filtered Seller Targets](#)

### Targets within backup vertical

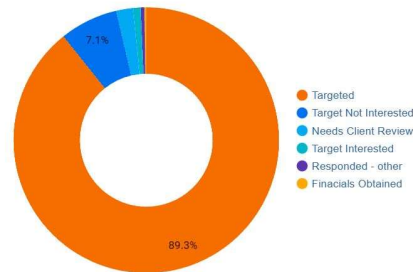
- Deemed not a fit by [redacted]
- Raised capital & excessive valuation
- Excessive seller valuation expectation
- Already acquired

[Link to Dead Deal Count](#)

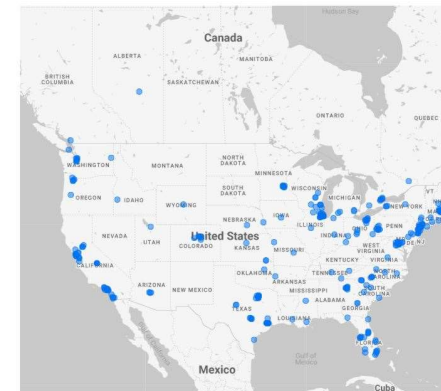
### Ongoing discussions:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

### Breakdown by Status



### Geographic Distribution



## Summary

### OFF MARKET

iMerge conducted a search for **off market** seller targets using its access to several databases. The searches were conducted by inputting industry vertical terms such as data backup, disaster recovery, business continuity, backup as a service (BaaS), email backup and more. The initial database aggregation captured numerous targets that provided solutions within these verticals, for example, IT service firms, managed service (MSPs), backup resellers and others that did not meet the acquisition criteria and therefore were removed. Not yet targeted are potential carve out opportunities that strategies may own such as J2 Global (JCOM) or private equity firm portfolio companies.

### Prognosis

It is important to note that the number of targets that are bootstrapped or have series A or less capital raises (meaning manageable valuations), or are not about to be acquired, and come with a realistic valuation expectation is a small number. Within the verticals listed above iMerge believes it has identified 80-85% of possible targets. As noted [redacted] is not the only company seeking acquisitions in this vertical. Therefore, iMerge recommends giving serious consideration to the live active sellers. The larger number of targets is now behind us and future acquisition prospects ("Filtered Targets (55)") may not be more suitable and will be slower to arrive. (Including strategic carve-outs or other private equity PortCos, like K [redacted] it). Alternatively, considering targets that are at the edge or fall outside of [redacted]'s wheelhouse can yield additional targets.

### ON MARKET

iMerge conducts searches for **on market** seller targets using its access to business for sale listing websites such as [Interexco](#), [Dealstream](#) and others.

### Currently available:

<https://dealstream.com/d/biz-sale/software-companies/skqua9>  
<https://dealstream.com/d/biz-sale/software-companies/Sia7i>

## Analyze & Model Aggregated Financials



### iMerge

iMerge will request from interested Targets its historical financials such as three years of profit and loss statements and balance sheets.

### Financial Modeling

iMerge perform a financial analysis in the context of a transaction to include:

- Review and analysis of revenues and operating margins
- Determine future cash flow basis
- Provide an informal valuation

### Financial Review

iMerge will discuss the 3 Statement Model, its projections and proposed valuation of the Target.



## Submit IOIs, LOIs

*\*Assist in Negotiations*



### iMerge

will arrange Q&A conference calls with the Target. If the Target remains interested iMerge will assist in drafting and submitting an IOI or LOI.

### Structure \*Assist in Negotiations

#### • Type of Transaction & Terms:

- Stock vs Asset Sale
- If stock sale will it be recognized as an asset sale, called a 338 (h)(10) election
- Working Capital Amount (amount of cash left behind)
- Promissory note terms
- Non-compete terms
- Equity in Buyer Co or "NewCo"
- Earn Out terms
- Tax allocation terms
- Escrow hold back terms
- Salaries/Consulting Fees for founders/owner remaining with the company
- Employee severance or retention bonuses, equity options, relocation packages (if applicable)
- Transition structure and terms

#### IOI or LOI Terms

##### Exclusivity period terms & conditions

- Length of time to complete due diligence
- Expected Closing Date
- Break up fees *(if applicable)*
- Escrow deposits *(if applicable)*

### Side Bar

IOI vs LOI which is preferred? IOI is a faster route in which a valuation range is proposed and finalized during and after due diligence is completed. An LOI, although also non-binding, is more formal with specific pricing, terms and conditions.

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## Manage Due Diligence

*\*Assist in Negotiations*



### Meetings

iMerge and representatives from your company will meet in person or over video with majority shareholders and the management team during the due diligence phase.



### Access

to secure a data room that contains from the Target the requested documents, answers to questions, and more in the following areas:

- Business Operations
- Finance
- Human Resources
- Legal
- Technical



### iMerge

will assist with additional negotiations with the Target for any necessary changes to the terms per the outcome of due diligence.



### Side Bar

iMerge can recommend firms to conduct due diligence or work with your existing team while continuing to manage, assist and provide oversight to the process.

## Definitive Documents

*\*Assist in Negotiations*



### iMerge

will work with the both parties' legal team to negotiate, finalize and ensure that: what is put to paper is what has been agreed to.

- All previous areas of negotiation are reflected properly in the definitive documents
- Assist in the negotiating the terms and conditions of the reps and warranties and indemnification listed in the definitive documents
- Assist in negotiating any remaining items



### Side Bar

In the definitive documents, Reps and warranties (and indemnification) are what the Target represents, and “guarantees” about the future health of the company over the next 12 to 36 months. Your legal counsel will often use broad terms for the reps and warranties section as an opportunity to further mitigate risk. Furthermore, the legal counsel will seek high levels of indemnification. The Target’s legal team will push back on this language. iMerge will assist in negotiating the language with the your legal team.

If deal size permits iMerge can arrange for quotes for M&A Reps & Warranty Insurance



## Closing



- ✓ iMerge continues working with the Target and its team members right up to and through closing.
- ✓ Although not necessary, most closings occur face to face in either the Target's or buyer's law firm.
- ✓ All documents are executed, and money is transferred.
- ✓ As is customary in the industry, if the closing is face to face, iMerge will treat all parties to a celebratory dinner.



## Post Closing



### iMerge

remains engaged after the closing to help manage any post closing transition requirements such as:

- Transfer of intangible, tangible assets and customer relationships to your entity.
- Execution on a true up in which the final account receivables and account payables are reconciled (if applicable)
- Ensuring other transition milestones are adhered to (if applicable) such as:
  - Reporting requirements
  - Consulting requirements
  - Look back period calculations
  - and more

## Pricing



### iMerge Pricing

Depending on needs, the retainer varies from \$500 a month up to \$10,000 a month. Retainers are credited towards the success fee.

Success fees vary depending on deal size. As a general rule a \$3 Million transaction would cover the most expensive retainer for 12 months.

To learn more please visit [iMerge's Buy-side Advisory Page](#)



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