REAG

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EPI Exit Planning Institute®

STARTING THE CONVERSATION

Using Unsolicited Offers to Unlock Exit Planning with Clients

Date: September 11, 2025

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Agenda

- Introduction
- Current lower-middle market dynamics
- Leveraging this market dynamic for your benefit
- Starting the conversation
- Decision tree example
- Summary & conclusions

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ABOUT

SCOTT MASHUDA

Founding Partner, REAG

- Lead the firm's growth and strategic vision with 25 years experience in M&A and business valuation.
- Faculty at The Exit Planning Institute; taught the M&A process 2020 - 2024.
- Chair of M&A Source in 2023; Board of Governors member 2017 - 2023.
- Recognized as a top M&A service provider in "40 Under 40" by The M&A Advisor 2013.
- Active in Cleveland's Association for Corporate Growth; former adjunct professor at Duquesne University.
- Co-founded REAG in 2004; previously a senior valuation analyst at Ernst & Young.

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About REAG

- Boutique investment banking firm specializing in lower-middle market M&A advisory
- Deliver institutional-grade execution to lower-middle market transactions
- Bring clarity and confidence to business owners as they transition their legacies
- Human-centered M&A firm

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Our Purpose

To combine deep financial acumen, sector insight, and a human-first approach to deliver winning outcomes to business owners

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Our Target Market = LMM

Revenue

Up to $250M

EBITDA

Up to $25M

Geography

United States

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The REAG Advantage for CEPAs

Built for CEPAs

Alignment mapping with discover, prepare and decide gates.

Market Intelligence

Assist in early decision making with real-time M&A market insight.

Non-Financial Analysis

Quantify and align what buyers / seller care about and spreadsheets miss – leadership, scalability, and systems.

Human-Centered

We don't just sell businesses, we transition legacies.

Current Lower-Middle Market Dynamics

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Current Market Dynamics

- Excess capital in private markets that needs put to work
- Quality sell-side opportunities are thin
- PE market has been largely driven by value enhancement strategies for the last several years
- Capital cycles have elongated
- Quality platform acquisitions are in demand
- The key word is quality

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Result of the Market Dynamics

- Investors are aggressively seeking opportunities to deploy capital strategically
- Privately held business owners are inundated with multiple layers of marketing about acquiring their companies
    - Some of these unsolicited “offers” are fishing expeditions
    - Some are not
    - Regardless, know that your business owner clients and the business owners you’re pitching are getting them

Leveraging this Market Dynamic for Your Benefit

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Business Owner Reactions

- Most throw them away
- Some get annoyed and complain about them
- Some put them in a drawer and agonize over them
- Some pick up the phone and call the sender.

You NEED to understand how your clients are reacting to these offers and why.

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Impact on You and Your Practice

- Unsolicited offers create an emotional reaction from the business owner
- Emotions drive reactions
- Your clients are reacting to these letters
- If you don’t know your clients’ reactions, you risk losing that client to another advisor
- Knowing that non-client business owners are getting them and reacting allows you to BE that "other" advisor who understands

Starting the Conversation

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A Conversation Starter

- Starting a conversation about exit planning can be awkward and uncomfortable
- Business owners tend to pivot the conversation quickly
- It’s challenging to put the theory into practice
- These “offers” (or inquiries) provides a great opportunity for you to talk about exit planning and your capabilities if done discreetly
    - Don’t just fire at your clients: "We should talk about exit planning"
    - They will likely shut down or pull back from this approach

How To Approach the Conversation

- TRAIN your business owner clients to contact you as point of practice when they receive an unsolicited offer
  - This contact with you is now the action driven by the emotion
  - The conversation has now started, and your client initiated it!
  - How you respond is CRITICAL
- Use it as an opportunity to show them your value as a CEPA
- Have a decision tree with questions prepared IN ADVANCE

Decision Tree Example

Decision Tree Example

- Soft open, “What do you think of that?” or “Is it any good?”
- If their response indicates that they're not yet ready to entertain a discussion about the inquiry ask more prompting questions:
  - When do you think you might be ready?
  - Or, what makes you think you’re not ready?
  - What is standing in the way of you being ready?
  - What do you still need to accomplish to be ready?

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Decision Tree Example: Negative Response

- What is keeping you from accomplishing that?
  - If XYZ is standing between you and your biggest payday ever, are you not focusing on that? Why not?
  - Is there anything I can do to help you focus better on the higher priority items?
  - Are you delaying for any other reason?
  - Is there anything I can do to help?
  - Are there things you're delaying doing personally because of the business?
  - What are those things?
  - If something happens to you and you haven't done those things will you regret not doing them?

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Decision Tree Example: Negative Response

- If you can get your client to open up about the answers to one, some, or all of these questions there is an entry point for a conversation about exit planning.
- If there's nothing they'll regret not doing and they are clearly signaling they want no parts of a conversation about exiting, you can pivot the conversation to growth:
  - What are your goals for the business?
  - Is there a size you'd like to get to? Is that based on revenue? Profitability? Head count?
  - Is there a geography you'd like to serve but are not serving? Products or services you'd like to introduce?
  - Is there a valuation you're looking to achieve? If yes, what is it?

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Positioning to Help

- Once you have this understanding, the conversation needs to turn to how you can help accomplish your client's goal.
- If their responses are centered around a business accomplishment prior to exiting:
  - Have you considered an acquisition to help you accomplish that?
    - What would a successful acquisition look like?
    - When do you think you would be ready to take that step?
    - What would you need to do to be ready?
  - Have you considered hiring a growth coach or an investment banker?
- I'd be happy to make some introductions for you.

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Decision Tree Example: Uncertain Response

- If the client appears intrigued but not yet ready:
- Would it make sense to understand what value the business may command in the marketplace?
- Or, would you like to better understand what acquirers are paying for companies like yours?
  - Oh, BTW that's important information for us to have as part of your financial plan
- Offer a connection:
  - Reach out to REAG
  - Introduce Capitaliz
- Both are inexpensive solutions that create exceptional value for your client regardless of a decision to exit or hold

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Never Miss an Opportunity to Show Value to Your Client

- Fact, a business is as important to an owner as their spouse and children
  - Taking in interest in the success of their business is like taking an interest in the success of their children
- Adding value to the client or business owner creates “stickiness” for you as their advisor
  - I have talked to thousands of advisors and helped many of their clients. Do you know how many times that advisor obtained that client because another advisor failed to properly demonstrate their connections and capabilities?
  - Don't lose clients because they think you lack valuation, coaching, business, or M&A resources
  - Unsolicited offers provide an excellent opportunity to demonstrate your capabilities, connections, and value-add in a very discreet way. Don’t miss it!

Decision Tree Example: It's a Possibility – Leaning Positive

- Start the education process
  - Have you thought about a timeline?
  - Exiting is a process not an event
    - Gather materials and prepare financial analysis and marketing packages
    - Creating a market, time in market, due diligence, financing, closing the transaction
    - Post-close requirement to facilitate a transfer of ownership.
    - Earn-out structures

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Decision Tree Example: It’s a Possibility – Leaning Positive

- Would a majority recapitalization help maximize value?
  - Energy and desire is still there, business is still fun, but the business is ready, do you want to run faster?
  - Partner with capital provider like private equity or a family office
  - Take some chips off the table
  - Second bite of the apple can be bigger than the first
  - This solution requires more advanced planning, an owner can't wait until their exit is imminent

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Decision Tree Example: It's a Possibility – Leaning Positive

Educate on Private Equity Partnerships

- Set up a meeting with an IB like REAG – show your value and the resources you have
    - Review the business and the industry and the likelihood as to whether or not viable deal partners are available and discuss what a transaction might look like both from a deal perspective and an operational perspective
    - Educate on how private equity works, deal structures and the benefits. Most clients typically don't know as much about private equity. They are only familiar with negatives.

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Decision Tree Example: Let’s GO!

Determine if they’ve already contacted the original solicitor.

- If yes:
  - Slow them down!
  - Manage the emotional reaction!
  - Be thoughtful not emotional
  - Explain the flaws of working with a single buyer
    - Risk vs. return of the process
    - The importance of surrounding themselves with experts
    - Introduce an investment banker that does this every day

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Decision Tree Example: Let's GO!

If no:

- Facilitate a call with an investment banker to understand the market, potential valuation, buyer pool, timelines, etc.
- Help them build their advisory team
- Help determine after-tax proceeds
- Determine what is really needed at exit to support their financial plan
- Share with the investment bankers what you learned through the decision tree questioning so that a process can be customized to generate the best possible outcome for the client based on their goals and desires

Summary & Conclusions

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Summary & Conclusions

- Finding a way to start the exit planning conversation with a business owner is challenging, it’s not something they’re often ready to talk about
- Use the fact that they’re receiving unsolicited offers from potential acquires to open the door to this conversation
- This works with both existing clients and potential client
- Step 1 is training them to call YOU when these inquires / offers are received
- Most of the time, this isn’t a one time, all at once conversation

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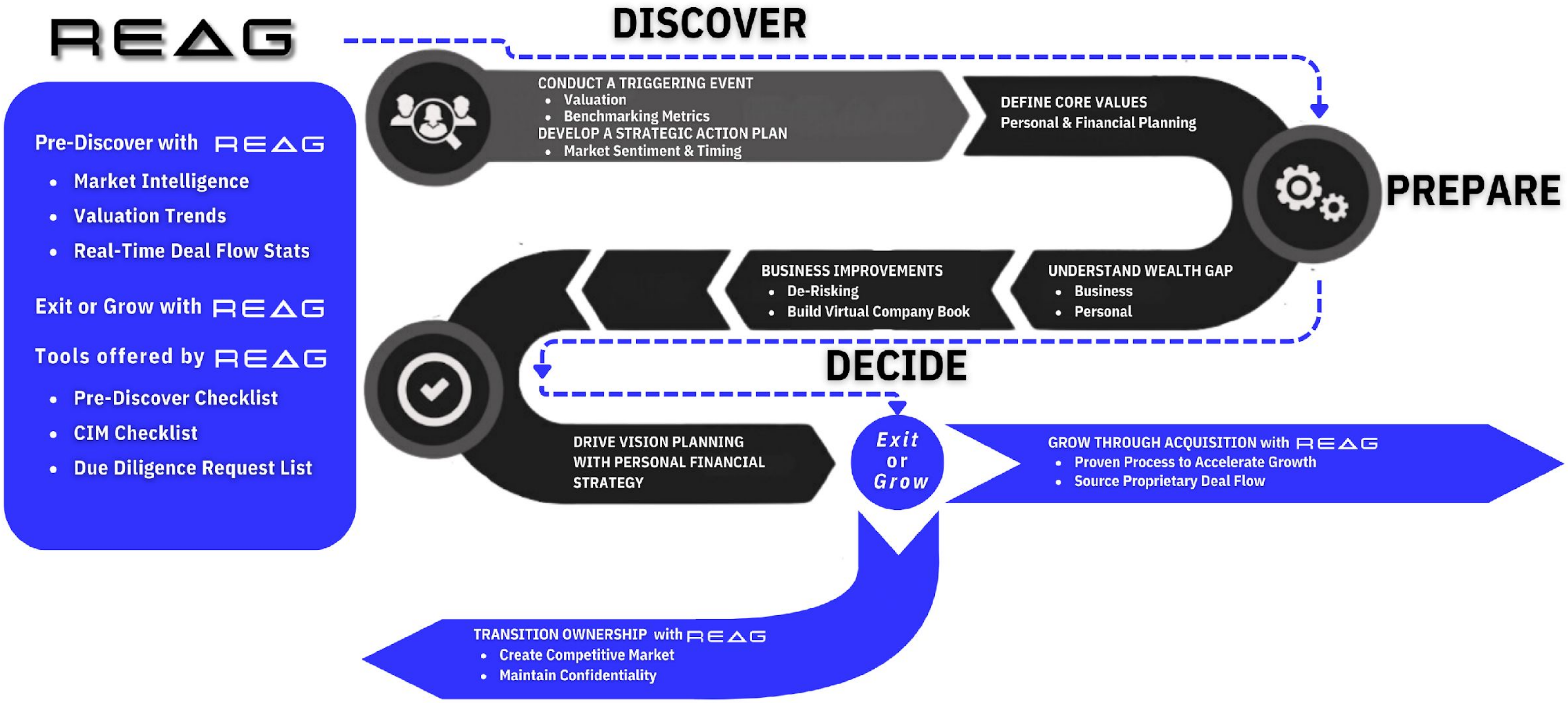
Summary & Conclusions

- A well planned and thought-out approach adds a tremendous amount of value to your clients and solidifies you as an indispensable part of their team
- It can also position you with the clients of other advisors as having a superior understanding of their needs with better and more available resources to suit their needs
- Don’t worry if you’re not comfortable with the details of M&A. All you need is a reliable investment banking partner to stand alongside you
- REAG is the only investment bank built for CEPAs

Where Does REAG Fit Into the Exit Planning Process?



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Questions?

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