



M3 Insights

Maximizing Returns in the Post-COVID World



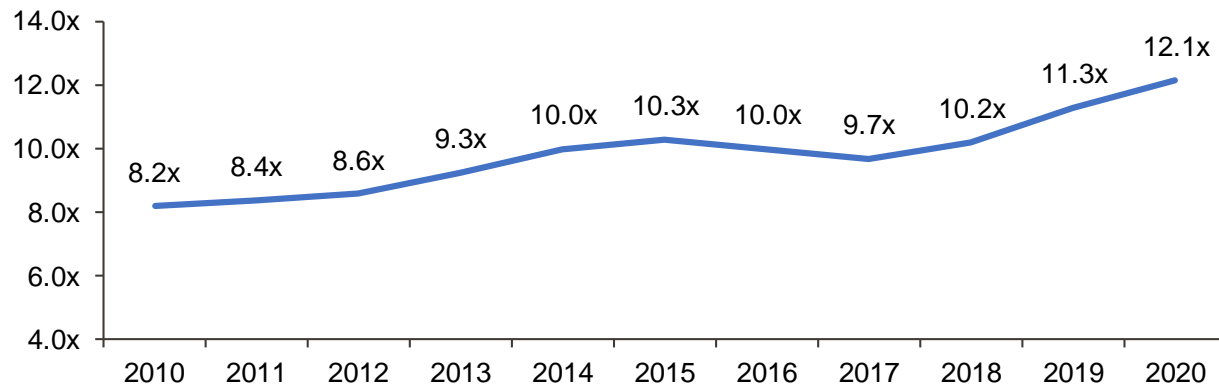
Experience. Alignment. Results.

Pressure is increasing on Sponsors as platform investments are “priced for perfection”

Valuations are being pushed to all-time highs:

- Post-COVID economic recovery
- Record-breaking M&A and SPAC volume
- Expanding competition and dry powder

Rolling Three-Year Median PE Buyout Multiple



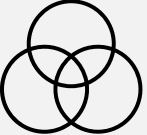


Add-on acquisitions are key for value creation, yet often miss expectations:

70%+

of deals failed to achieve target profitability

Driving accretive add-ons in the Post-COVID world requires meticulous planning and flawless execution

Our experience shows three critical success factors to maximize value from add-on acquisitions

Category	Common Challenges	Opportunities
 <p>Synergy Capture</p>	<ul style="list-style-type: none"> • Diligence often misses sources of execution roadblocks (e.g., process or tech constraints) • Patched systems and processes lead to further manual effort and inefficiency • Synergy targets compete with other business priorities 	<ul style="list-style-type: none"> • Challenge value creation assumptions and include realistic costs to achieve in forecast • Align accountability for synergy capture and centrally manage integration/synergy budget • Invest in proactive progress reporting and monitoring
 <p>Operating and Talent Model</p>	<ul style="list-style-type: none"> • Roles aren't clearly defined, leading to bloat and lack of accountability • Org charts are outdated, managed in spreadsheets, and not optimized • Culture clashes lead to post-close issues, loss of critical talent, and quality issues 	<ul style="list-style-type: none"> • Create “platforms” to absorb demand rather than weaving disparate processes • Develop a zero-based organization so every role has a clear objective and distinct responsibilities • Expand diligence focus to culture risks and identify key line personnel to retain
 <p>Risk Management</p>	<ul style="list-style-type: none"> • Faster diligence timelines limit focus on other risks that can require additional investments (e.g., ESG, competitive shifts) • Management attention stretched between synergy and core growth objectives • Unsuccessful integrations increase leverage and risk potential covenant breaches 	<ul style="list-style-type: none"> • Assess impact to investment costs to ensure add-back baskets are sized appropriately • Incorporate risks into lender negotiations to cope with potential unknowns (e.g., additional salesforce hiring) • Build stress test outcomes into post-close investment plans

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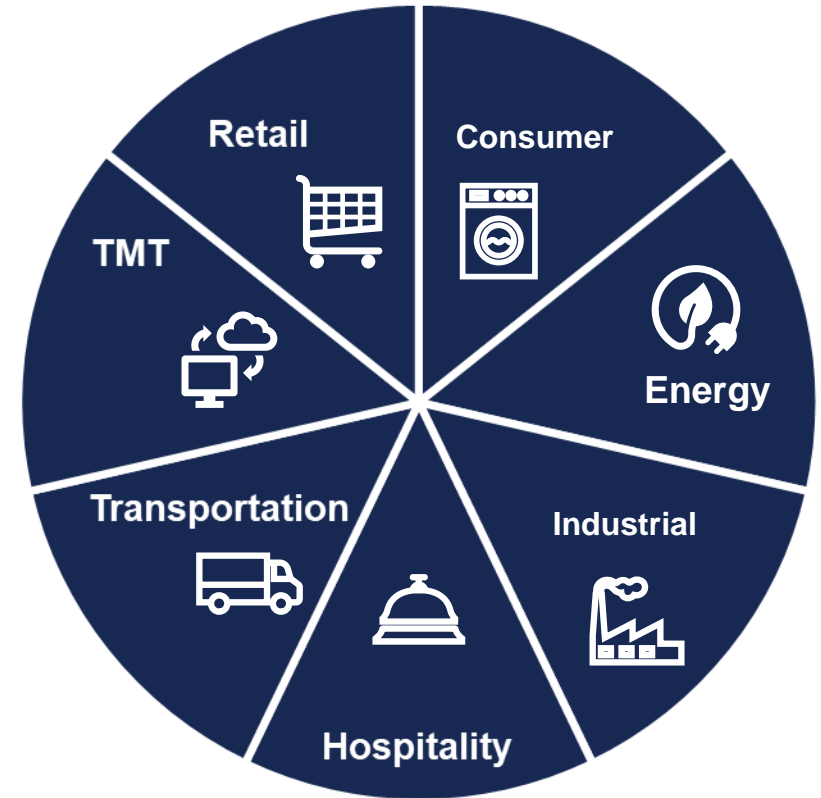
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About M3

M3 Partners was founded with the mission of dedicating senior professionals with cross-functional expertise to efficiently develop actionable plans to identify and maximize value

We bring to every project:

- ✓ Senior leaders that “roll up their sleeves”
- ✓ Small teams with deep industry experience
- ✓ Partnership with clients to align disparate groups on a common goal
- ✓ Objective, practical, advice to maximize value and the leadership experience to execute



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