



StoneCreek
Capital Partners in Growth

Facilitating Your Own Private Equity-backed Acquisition

January 30, 2020

Background

- **Founded in 1992**
- **Middle Market Buyout Investments**
- **\$10 to \$50 Million Transaction Size**
- **Investment Philosophy**
 - **Support Strong Management Teams**
 - **Value-added Investment Opportunities**
 - **Create Flexible Capital Structures**
 - **Incentivize Management**
 - **Mutually Beneficial Partnership**

Representative Transactions



Performance Textiles, Inc.



StoneCreek
Capital Partners in Growth

Activity

- **Every executed SCC LOI taken to market has been fully financed**
 - **32 Acquisitions**
 - *Platforms and Add-ons*
 - **About \$800 million Transaction Value**
- **Last 5 Years, Eight Acquisitions**
 - **Six Platforms - \$10 to \$40 million**
 - **Two Add-ons < \$10 million each**

Independent Private Equity Sponsor

- **Raise Capital from Supportive 3rd Parties**
 - Private Equity Funds
 - Family Offices/Wealthy Individuals
- **Flexibility Positively Positions SCC**
 - Management Buyouts
 - *We're your partner, not your boss*
 - JCP StoneCreek – Aerospace/Defense

Challenges

- **Questionable Credibility as a Buyer**
 - Access to Financing
 - Unfamiliar with acquisition process
- **Steep Learning Curve**
- **Time is of the Essence**
- **Personal Financial Stability**
 - 6 to 12 Month Process
- **Finding the Right Partner**
- **Broken Deal Costs**



Partnering with StoneCreek

- **Complementary Partners**

- You've Got What we Need
 - *Proprietary Deal, Value-added Leadership*
- We've Got What you Need
 - *Access to Capital/Transaction Experience*

- **Benefits**

- Highest Funding Probability
- Best Economics
- Best Fit
- Stronger Relationship with Owners

Investment Criteria

- **Qualitative**

- Experienced and Backable Leader
- Team with Vision, Ability and Commitment
- Niche Market Focus
- Defensible Market Position
- Compelling Value-added Investment Thesis
- Credible Growth Prospects
- Strong Brand/Corporate Identity



Investment Criteria

- **Quantitative**

- **Minimum Adjusted EBITDA ~ \$2 million**
- **Historical Growth & Profitability**
- **Sustainable Cash Flow**
- **Reasonable Purchase Price Multiple**
- **Performance/Industry Support Leverage**
- **Opportunities for Improvement**

Backability

- **Prior C-Level Managerial Success**
- **Domain expertise in the industry you are targeting.**
- **‘Insider’ Familiarity with Target**
 - **Current/Past Employer, Consultant**
- **Passion**
- **Compelling Value-added Strategic Vision**
- **Identified Team**
- **Willingness to make Personal Investment**

Acquisition Process

- **Finding the Opportunity**
 - Company you work for (or used to work for)
 - Consultant: Insider/Outsider
 - Target Identified, but couldn't pursue
 - *No support from your employer*
 - *Owner won't sell*
 - *Negotiations broke down*
 - Pre-existing relationship with owner/senior mgmt. of targeted company
 - *'What If...?'*

Acquisition Process

- **Securing the Capital**

- Executed LOI: Exclusivity/Negotiated Terms
- Prepare 'Approval Memo'
 - *Summarize Target's Business*
 - *Describe Leadership Team*
 - *Explain Investment Opportunity*
 - Include Risks and Weaknesses
 - *Prepare Thoughtful Projections/Assumptions*
 - Management & Base Cases
- Warm Introductions

Acquisition Process

- **Your Package**
 - **Equity Upside Incentives**
 - **Meaningful Personal Investment**
 - **Compensation**
 - *Salary*
 - *Cash Performance Bonuses*
 - **Caution: Employee vs. Partner**

Case Study - Kova

- **Divisional Spinoff from PE Portfolio Company**
- **Busted Auction: Offers below Seller's Minimum**
- **SCC/Divisional Executive Teamed Up**
 - **Backable Executive**
 - *Direct Familiarity with Business*
 - *Leading Industry Expert*
 - *Compelling Strategy to Create Value*
- **Equity Partner Reserved Capital for Add-on Acquisitions**

Case Study - Kova

StoneCreek's Criteria	Attractive Investment Characteristics
Experienced Passionate Leadership	<ul style="list-style-type: none"> • Strong proven leader • Experienced team, well established culture
Revenue of \$10 to \$100 Million	\$12 million revenues
Sustainable Cash Flow	Stable revenues, exceptional profitability / 50%+ EBITDA margins
Niche Market Focus	Leading manufacturer of disposable medical diagnostic testing supplies.
Credible Growth Prospects	<ul style="list-style-type: none"> • Expanded agreement with major distributor • Implement Marketing Initiatives – New ERP System
Limited Capital Intensity	<ul style="list-style-type: none"> • Relatively low % of annual EBITDA • Initially, mid-six figures; ongoing, low six figures
Strong Corporate Identity	<ul style="list-style-type: none"> • Leading brand for decades • Exceptional customer loyalty
Defensible Market Position	<ul style="list-style-type: none"> • Smaller competitors, distributor private labels – minimal impact • Modest % of total diagnostic testing cost
Low Technology or Obsolescence Risk	Best in industry w/o any evident need for technological enhancement
U.S. Headquarters	Garden Grove, CA

Contact Information

Bruce Lipian

Managing Director

650 Town Center Drive, Suite 120

Costa Mesa, CA 92626

(O) 949-825-5557

(C) 949-929-6656

bruce@stonecreekcapital.com

www.stonecreekcapital.com



StoneCreek
Capital Partners in Growth