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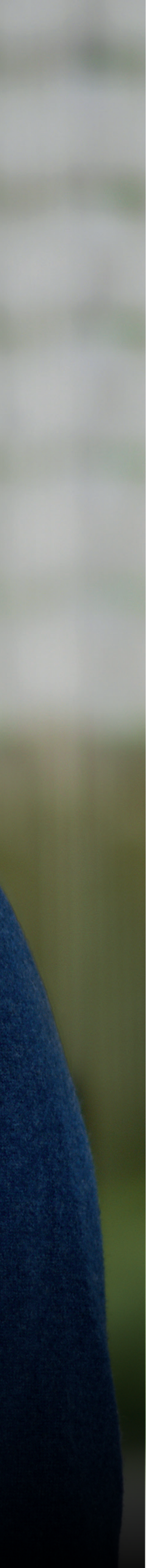
Mergers & Acquisitions Expert



Ryan Clark

Director | **Veld Mergers and Acquisitions**

About Ryan Clark

Ryan Clark is an entrepreneur, former world-class athlete and Director at Veld Mergers and Acquisitions, who is responsible for leading initial interviews and subsequent client engagements. He works with all parties to guide them through the transaction process, and is one of the most prolific intermediaries in the nation when it comes to transactions in the lower middle market.

After receiving his Bachelor of Arts in Finance at The University of Nevada, Ryan joined Citigroup as a Senior Financial Planner for high net worth individuals and gained considerable experience in corporate retirement planning, investment management, insurance and estate planning. In the late 1990s he relocated from Las Vegas to Southern California to establish the US sales force for a multinational sales organization, and in 2003 he joined his childhood friends in launching The Veld Group. Since its founding, and due in large part to Ryan's contributions, The Veld Group and Veld Mergers and Acquisitions has completed over 350 formal and 5,000+ informal business valuations and orchestrated over 1,000 sell-side transactions with an 80%+ success rate versus the 30% industry standard.

Since entering the industry in 2003, Ryan has regularly orchestrated 30-40 transactions per year. While many of these sales are in the under $5 million range and do not strictly qualify as M&A deals, Ryan makes up for this in sheer volume and activity of these and larger deals. In fact, he consistently finds himself engaged in simultaneously managing 10 or more signed transactions at any given time!

Ryan readily admits that he is only able to accomplish this because of the 20 years of experience he has gained through orchestrating transactions of all sizes. "Without having completed as many smaller sales, I never would have developed the skills or gained the experience necessary to juggle as many larger or more complex transaction at once. Selling a small company can be more challenging than a larger one. In most smaller transactions there are fewer buyers with less capital, and owner expectations and personality can play an even greater role. Having spent so much time in the dealmaking trenches managing and completing a diversity of transactions of all sizes and across all industries is how I've honed my skills and learned where my sweet spot is."

"We consciously choose to focus on businesses doing between $1 ml - $5 ml in EBITDA for a reason. It is because these are the owners that I can provide the most value to and that can most benefit from my expertise," says Ryan. He explains that businesses in this income range, which usually translates to less than $20 million in enterprise value, are in 'No Man's Land' when it comes to the marketplace. These firms are clearly too small for the blue-chip middle-market intermediaries to work with but far too large and complex for main street brokerage firms.

Ryan considers this No Man's Land segment to present greater challenges, but after manufacturing over 600 transactions himself he knows precisely how to navigate the intricacies of deals in this size range. "Companies doing $1-5 million in EBITDA have much more in common with a smaller business sale than they do with investment banker-backed deals," he says. "Many of our clients first went to a larger boutique banker they perceived to be more prestigious and assumed that they were better suited to manage their sale. After a few false starts or broken processes, they returned once they realised that working with a specialist in their exact size range was more appropriate. Several of the techniques applied in larger sales are not applicable to this size offering or buyer pool."

Ryan is a Certified Merger & Acquisition Advisor (CM&AA) with the Alliance of Mergers & Acquisitions Advisors and a Certified Exit Planning Advisor (CEPA) with the Exit Planning Institute. He is also highly active in ProVisors, a community for professional trusted advisors, where he serves on his chapter's Executive Committee.

VELD MERGERS
& ACQUISITIONS

What has been the greatest driver of Veld M&A's success?

Our comprehensive knowledge base, ability to overcome the variety of obstacles we encounter, and dedication to delivering on our client's ultimate goal.

How have you seen your own skills develop during this time?

Over the past couple of years, uncertainty has influenced the marketplace unlike any time in recent history. By drawing from a depth of wisdom gained from real transactional experience, my dealmaking creativity has expanded exponentially. In order to create a win-win situation where all sides are satisfied has forced me to dig deep into my toolbox to find solutions and chart a clear path forward.

> My objective is to create an atmosphere where all sides work together toward the common goal.

In a nutshell, how would you describe your firm's mission?

To manufacture situations, deliver value for clients and capitalize on our experience to create the outcome they desire.

Can you share anything about the company's plans for 2023?

We are continuing to formalise and systematise the method we have developed over the past 20 years, so we can offer it with greater ease to even more clients at scale. It will provide them additional value and the resources to progress at their own pace and gain a clearer understanding of all of the exit options and future opportunities available.

How did you get started in the industry?

Our core team is comprised of three M&A professionals who have been best friends since 1986. Each of us went our own way after high school, developed different skill sets and gained our own experience. We then came together and set out to have the largest positive impact we could on SMEs.

We first engaged in consulting services and gained a lot of traction doing business valuations. We then discovered that the clients that needed valuations in order to sell their companies did not ultimately transact when they went to market. If they did, they traded for less than we felt they should have. After completing an industry study, we discovered an unmet market need. There was no shortage of qualified intermediaries for larger companies, but the marketplace for smaller companies was extraordinarily fragmented and abilities varied dramatically.

We set out to create a more efficient system. Rather than hiring externally, we developed all of our methods in-house and have achieved remarkable results in terms of productivity. While the industry success rates stand at 30-33%, ours is just over 80%.

At what point of a deal do you derive the most satisfaction?

My objective is to create an atmosphere where all sides work together toward a common goal. I genuinely enjoy finding that middle ground so when the agreement is signed, both sides feel satisfied. When you can accomplish this, the path to the ultimate goal will feel less like a competition and more like a collaborative team effort. We only engage in sell-side representation, so I am always putting my clients first, but at the end of the day no deal will begin or close until the parties reach an agreement that they are comfortable with.

What about the process do you like the least?

If bringing the parties together to achieve an outcome that both deal teams are comfortable with provides satisfaction, then managing the whirlwind of emotions that will present themselves throughout the process is the least enjoyable. They say that every deal dies three deaths before closing. I can attest to that. Each is an emotional rollercoaster for our clients and the buyers.

I play psychologist as much as business advisor. Fortunately, I feel that I was made for it. I am a middle child with four siblings, so I grew up figuring out how to maintain the peace. When a transaction finally closes and all parties are satisfied it is all worth it, but the long that road between getting a signed Letter of Intent (LOI) and closing should never be discounted. That is where deals are lost and often defines the difference between seasoned versus newer intermediaries.

What drives you?

I am a natural helper and I genuinely enjoy assisting the most vulnerable or those in need. I find that my clients are not typically familiar with the sales process. Most have never bought a business, let alone sold one. Since this is likely their largest asset, the sale proceeds are critical to meet their retirement needs. Buyers on the other hand are serial entrepreneurs. Many have bought several companies, and in the case of private equity they are literally professional buyers. This creates significant asymmetry between buyers and sellers, so it is where I can provide clients the largest added value.

The knowledge gap is not as large when working with smaller companies, since the buyers tend to have a similar background or experience level. It is in the $5-20 million range that the chasm is the greatest and multiple parties and measures are required to bridge the differing levels of sophistication. Because there is more money at stake, business sellers face more risk than ever. At the same time, there are far fewer intermediaries that specialise in navigating transactions in this size range, so expertise is rare precisely where it is the most critical. In a $100 million+ deal, the key executives and Board of Directors can manage a sale with seasoned internal and external attorneys and accountants. These resources are scarcer for clients in 'No Man's Land'.

What is a piece of advice would you give a potential seller?

A piece of advice I would provide every owner is to ‘know thyself’. The number one deal killer is having a seller with unrealistic expectations. When we engage a seller and learn more about their company it is hard not to see it through the eyes of the marketplace. Our perspective allows us to gauge the concerns a buyer will have, whether justified or not. If a seller does not head our advice they may go to market with an unrealistic price expectation, which may thwart any chance of selling.

The same holds true for deal terms, structure and timing expectations. Until we are on the same page with respect to value range we are just treading water, or worse, potentially adversely impacting value. Leverage plays a significant role in any negotiation. If a seller does not know exactly what they have, they will never correctly appreciate how much or how little leverage they can exercise.

What is your ‘secret sauce’?

I really think the ‘secret sauce’ is my commitment to our craft. I have invested over a hundred thousand hours in an attempt to master the art and science of this industry. This has allowed me to develop the ability to manage human beings through a long, emotional and complex transaction process.

In 2003, we began selling consulting services and business valuations. When we entered the brokerage marketplace at 30, we had to figure out how to compete with large main street franchise business brokerages on the one hand and seasoned investment bankers on the other hand. We had to figure out how to build a better mousetrap. We developed a highly efficient system for screening sellers, qualifying buyers, preparing companies for sale, marketing them and ultimately guiding all parties through a surprisingly long multi-disciplinary process.

> The deal team is key. Sometimes ‘it takes a village’ to achieve the desired outcome.

In the beginning we needed a system to be competitive and to survive. That system has now allowed us to thrive. We were also able to leverage one another’s strengths and experience in order to operate at scale through the efficiencies our internal family-like relationships provide.

Another key to successful dealmaking that is often overlooked is the deal team. This may include a client’s legacy advisors such as their attorney and accountant, but we typically also introduce any number of new advisors as appropriate. These may include financial, wealth and insurance professionals or several more. No one party knows every aspect of each client’s personal and business life, but the two naturally intersect in a sale. Sometimes ‘it takes a village’ to achieve the desired outcome.

I am highly active in cultivating relationships with complementary professional advisors. Just like no surgeon would enter the operating room alone, I am sure to have those

Ryan Clark
Veld Mergers & Acquisitions
1 Park Plaza, 600 Irvine, CA 92614

www.VeldMA.com

parties necessary for each transaction included as well as those that may be necessary should anything go awry. I genuinely enjoy also being a resource to them and their clients. These relationships are critical and last beyond any given deal. This a key facet of a successful practice that most do not appreciate.

Do you have any favourite tricks to close so many transactions or maintain such a high ratio?

I don't think there are many "tricks" per se, as everyone will know that they are just that. The intermediary must be genuine with all parties at all times, or trust and confidence – which is everything – will be lost. Without maintaining your integrity, you cannot have a long-term career in this industry.

One piece of advice that I share with all intermediaries is to always maintain a strong stable of buyers to keep everyone honest, motivated and to maintain deal momentum. We represent sellers, but having the ability to pick up the phone and call any number of buyers that may be suitable for a new client's company is gold. We have over 30,000 executed NDA and Buyer Profiles on file. Since we have these contacts' search criteria, financial ability, and notes on our prior interactions captured in our CRM, I can pick up the phone and reach a dozen prospects within the first few days of an engagement. I close perhaps 20-30% of my transactions this way, prior to the business going on the open market.

> A buyer's strong seller relationship goes a very long way to ensuring future success. It is shortsighted to jeopardise this during the deal process.

While you represent business owners, do you have any advice for business buyers?

From your or your counsel's initial contact to subsequent discussions, it does not benefit you to be coy as to what you are looking for or what your financial and other abilities are. Information that you share with us will not be used against you. Quite the contrary, it will provide me valuable insight into the opportunities I should share at that time and in the future. That is how buyers can truly gain access to gems that will otherwise remain off their radar.

Also, while a company's past and its historical performance are always critical to understand, buyers should not lose sight of the company's future. After all, that is what you are acquiring. I see deals go south because a buyer cannot reconcile all aspects of the past, despite it having no bearing on the future. In those rare instances where deals may take a turn, it is often because an analytical buyer is missing the big picture during diligence. Finally, a strong seller relationship goes a very long way to ensuring future success. It is shortsighted for buyers to jeopardise this during the deal process. Buyers often feel they have the leverage to try to exact unreasonably concessions out of a seller at the end of a transaction. This is always a mistake in the long-run.

"There is a reason why we have large windshields in our cars, but small rearview mirrors. It is so we can focus on what is ahead, not what was behind us."