



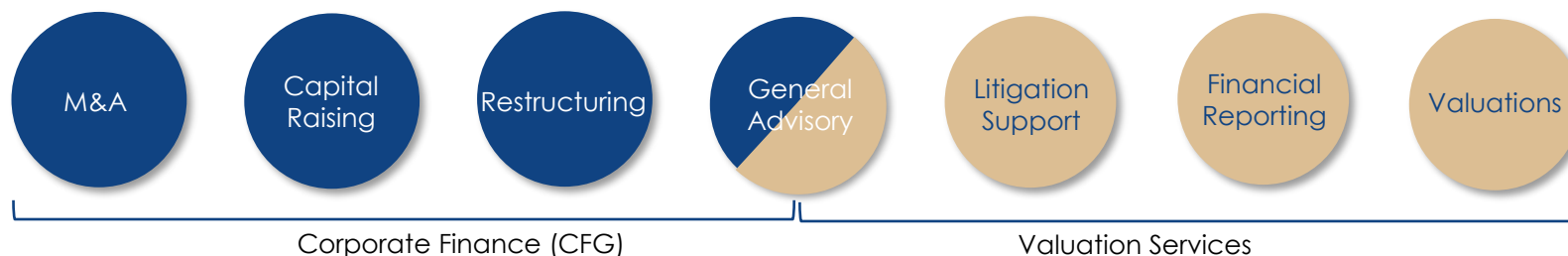
Chaffe»

Anatomy of a Deal Gone Bad

A skit-based Deep Dive into What **NOT** to DO

ABOUT CHAFFE & ASSOCIATES

For over 40 years, Chaffe has provided Valuation, Merger & Acquisitions, and other Transaction Advisory Services based on an unwavering commitment to its clients' best interests.



KEY HIGHLIGHTS

- Founded in New Orleans in 1982
- Proprietary List of Family Offices and Businesses
- \$25MM-\$250MM Transaction Sizes
- Diverse Industry Expertise
- Proven Track Record of Success
- Extensive Network of Institutional Lenders and Investors
- <\$1M->\$2B revenue range of entities valued
- 200+ Valuations Annually
- 8,000 Total Valuations

Chaffe's clients range from founder-led and family-owned businesses to publicly traded corporations, and sponsors spanning a broad spectrum of industries. They rely on our market presence and ability to add value during transaction processes.

Chaffe is the longest tenured, and most well-respected valuation firm in our region, with over 40 years of experience in valuing companies, entities, investments and other financial instruments.

M&A SERVICES ARE OUR CORE STRENGTH...

M&A Advisory

- Company Sales
- Corporate Carve Outs
- Management Buyouts
- Buy-Side Advisory
- Fairness Opinions

Capital Advisory

- Recapitalizations
- Debt Advisory and Placement
- Acquisition Financing
- Capital Formation/ Fund Raising
- Exit Planning

...VALUATION SERVICES SET US APART

- Estate, Gift & Income Tax Planning and Reporting
- Corporate Planning
- Litigation Support
- Employee Stock Ownership Plans (ESOPs)
- Intangible Assets
- Purchase Price Allocations
- Impairment Testing
- Level 3 Portfolio Valuations 409A Valuations
- Buy / Sell Agreements

CHAFFE DISCLAIMER

- ❖ This presentation is for educational purposes only, as of the date of the presentation.
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- ❖ This presentation does not necessarily represent the professional opinions of the presenter(s) or Chaffe & Associates, Inc.
- ❖ The proper methodologies and techniques to be employed in any engagement are fact specific and based on the totality of circumstances at hand.

Investment banking services are provided by Chaffe Securities, Inc., member FINRA/SIPC

STARRING



*Vanessa Brown Claiborne
as Managing Director*

Corporate Finance Group



*Nene Gianfala as "Nene"
as Chief Financial Officer*

The Gumbo Group, Inc.

***This is a work of fiction. Any similarities to persons living or dead or actual events
is purely coincidental.***

ANATOMY OF A DEAL GONE *BAD*

Nene, the CFO of Gumbo Group, sits across from Vanessa, an investment banker, in a dated, wood-paneled office.

Interior Office - Day



THE UNSOLICITED OFFER

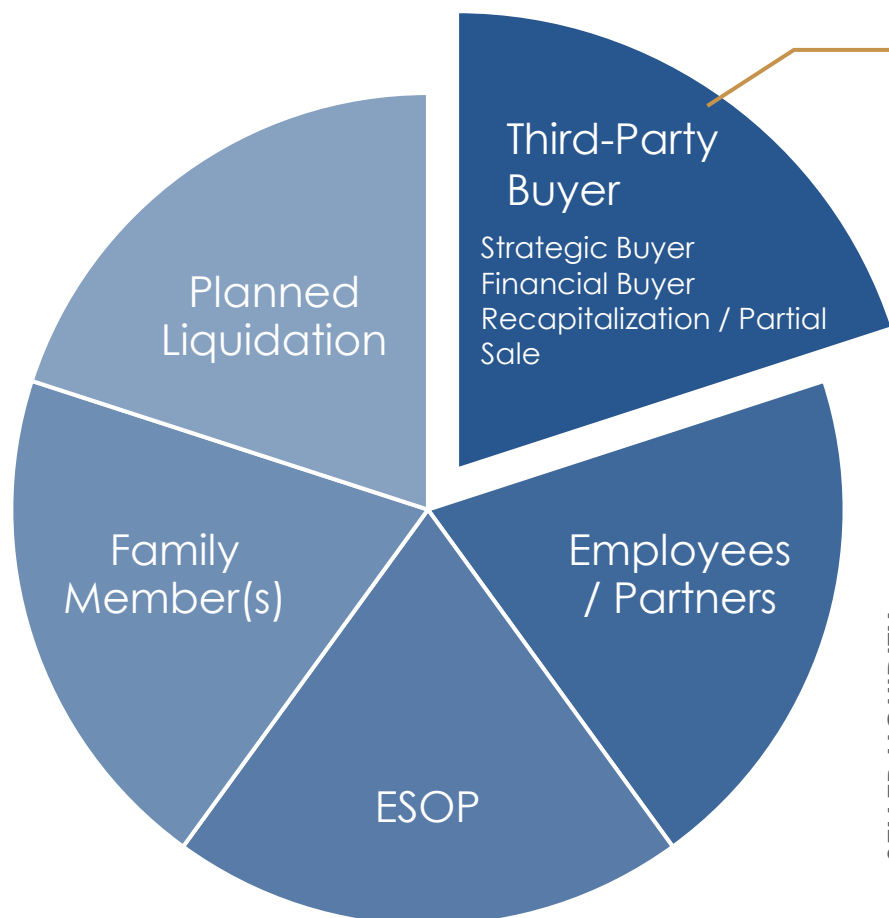
NEVER sign an unsolicited offer before it is reviewed by an investment banker or attorney specializing in business transactions

- Buyers will not have performed the diligence necessary to present a fully formed offer
 - Offers at this stage tend to be mostly one-sided, **favoring the buyer**
 - Deal teams are also “often” way out of the market or even onerous
- While the offer is presented as “nonbinding” there may be provisions that are essentially **breakaway fees**
- Buyers in proprietary deals have no incentive to pay the highest price and the offer is often **well below market value**

Even if everything works out...the Seller will never know if they got the best deal

WHAT EXIT STRATEGY ALIGNS WITH OWNER OBJECTIVES?

Owners can pick from a menu of possible successors



Recapitalizations or "recaps" are an option worth examining if you need or wish to sell some equity and diversify your wealth

Most business owners have (way too much of) their wealth tied up in their private companies– 80%+

RANGE OF 3rd PARTY OPTIONS: LIQUIDITY VS. CONTROL





ELEMENTS OF A LOI

- ❖ Transaction Perimeter
- ❖ Structure
- ❖ Purchase Price and Consideration
- ❖ Working Capital
- ❖ Financing
- ❖ Deferred Amounts
- ❖ Identity of Buyer
- ❖ Approvals and Conditions
- ❖ Due Diligence
- ❖ Remedies and Limitations
- ❖ Timing and Exclusivity Period
- ❖ Transaction Team
- ❖ Employees and Other Matters



MIDDLE MARKET PE TRANSACTION MULTIPLES BY SIZE

By Enterprise Value Range	2021	2022	2023	2024	2025	Q2 2026
10 – 25 million	6.1x	6.4x	6.0x	6.4x	6.2x	6.1x
25 – 50 million	7.2x	7.0x	7.0x	6.8x	6.8x	7.3x
50 – 100 million	8.3x	8.5x	8.0x	8.3x	8.0x	7.7x
100 – 250 million	9.3x	9.1x	9.6x	8.6x	9.7x	8.3x
250 – 500 million	10.9x	10.1x	10.7x	9.7x	9.6x	10.7x
Total	7.6x	7.6x	7.2x	7.2x	7.1x	7.1x
N =	501	333	298	389	298	170

Source: GF Data August Q2 2026 M&A Report

Illustrative sample of middle market private equity transaction multiples in the \$10M - \$500M range

MIDDLE MARKET PE TRANSACTION MULTIPLES BY INDUSTRY

Industry	2021	2022	2023	2024	2025	Q2 2026
Technology	10.3x	8.1x	10.2x	8.1x	6.4x	5.7x
Healthcare Services	8.1x	8.4x	8.9x	7.7x	8.5x	7.7x
Retail	8.3x	8.0x	6.0x	7.4x	7.5x	6.8x
Business Services	7.3x	7.4x	7.3x	7.2x	7.3x	7.5x
Media & Telecom	6.3x	9.1x	7.8x	6.7x	6.9x	5.8x
Manufacturing	7.1x	7.3x	6.5x	6.9x	6.6x	7.1x
Distribution	7.2x	7.2x	7.1x	6.9x	6.9x	6.0x
Other	7.3x	6.7x	6.9x	7.0x	6.8x	6.8x

Source: GF Data Q2 2026 M&A Report

Illustrative sample of middle market private equity transaction multiples in the \$10M - \$500M range

WHAT DETERMINES THE MULTIPLE OF A COMPANY?

Qualitative Factors



Management and Ownership

Customer and Supplier Relations

Revenue Quality and
Predictability

Market Position and Competitive
Advantage

Operational Scalability

Quantitative Factors



Core Financial Performance
(revenue growth rate, profit margins)

Cash Flow and Capital Efficiency
(FCF, ROA)

Risk and Stability Metrics
(revenue/customer concentration)

Balance Sheet Strength

Growth and Return Metrics

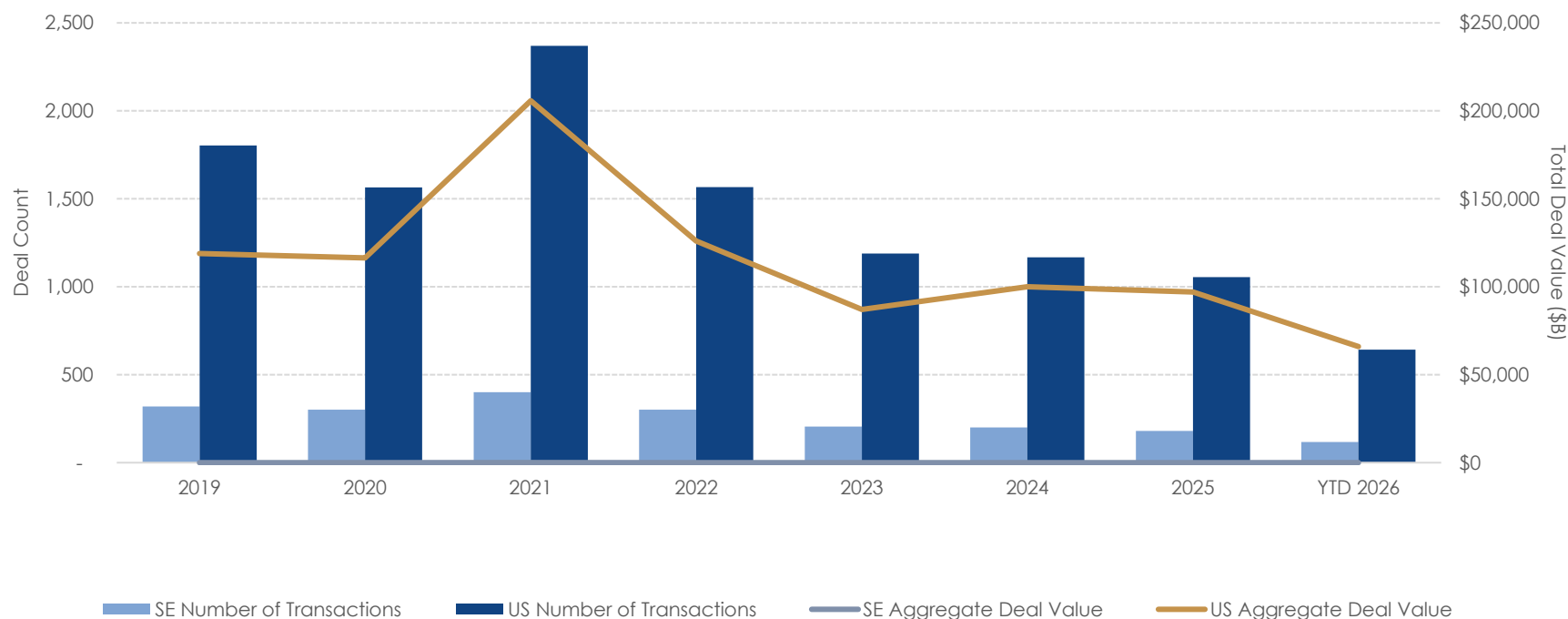
The Different Valuation Methods

Market Approach Methods	Income Approach Methods	Cost Approach Methods
Guideline Public Company Method - Multiples derived from comparable publicly traded companies Guideline Transaction Method - Multiples derived from actual M&A transactions of similar companies Prior Transaction Method - Analysis of past arm's-length transaction in the subject of company's own stock	Discounted Cash Flow (DCF) Method - Projecting and discounting future free cash flows to present value Capitalization of Earnings / Cash Flow Method - Capitalizing a normalized single-period earnings or cash flow figure	Adjusted Net Asset Method - Restating assets and liabilities to fair value and netting the difference Liquidation Value Method - Estimating proceeds from an orderly or forced sale of assets, net of liabilities and costs

MIDDLE MARKET M&A DEAL VOLUME & VALUE

Deal volume and aggregate deal value remain below 2021 peak levels, though activity has stabilized since the 2023 trough

- Deal volume remains below 2021 peak levels, largely due to higher financing costs and more selective buyers
- Immediately following the initial pandemic lockdowns in Q2 2020, M&A activity experienced a dramatic, unexpected resurgence by the third quarter driven by a desire to consolidate and adapt to new market realities
- Muted large-deal activity has weighed on overall deal volume, but strong middle-market businesses continue to attract buyer interest
- Improved financing conditions supported Q2 2026 activity, **although valuations still depend heavily on size, industry and company attributes**



Sources: S&P Market Intelligence; US M&A Transactions announced or closed, 2019-8/31/26; Deal Values <\$500MM

RECENT MIDDLE MARKET PE DEAL FLOW

Middle Market deals in the \$10-\$500MM range have dropped since 2024

Enterprise Value Range:
\$10-500 million

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
# of deals	107	85	100	62	84	68	85	85	85
TEV/ EBITDA	7.3x	7.2x	7.3x	7.6x	6.8x	7.4x	7.3x	7.3x	7.0x

Source: GF Data 2024-2026 M&A Reports



EXAMPLE PROCESS TIMELINE FOR A SALE

An approximate 18-20 week timeline is needed for a sale or recapitalization process that is designed to maximize value and competitive tension while minimizing management disruption

Preliminary Measures		Execution	
Preparation	Marketing / Initial Bids	Diligence / Final Bids	Sign & Close Transaction
- Establish transaction objectives and parameters - Prepare documentation to provide prospective buyers (CIM, Management Presentation and virtual data room) - Commission Quality of Earnings report (<i>discretionary</i>) - Create potential buyer list with input from the client	- Contact prospective buyers - Sign Confidentiality Agreements - Solicit initial non-binding indications of interest - Consider narrowing the potential buyer list based on the terms of the indications of interest	- Schedule management presentations / open virtual data room - Provide additional detailed financial and operational information - Provide draft/outline of key required terms of purchase agreement - Request “best and final” offers - Select preferred buyer	- Sign exclusivity agreement and enter final negotiations - Expedited confirmatory diligence - Negotiate terms of the definitive purchase agreement - Regulatory and other approvals (<i>if necessary</i>) - Sign and close transaction
Weeks 1 -4	Weeks 4 – 8	Weeks 8- 12	Weeks 12 - 20

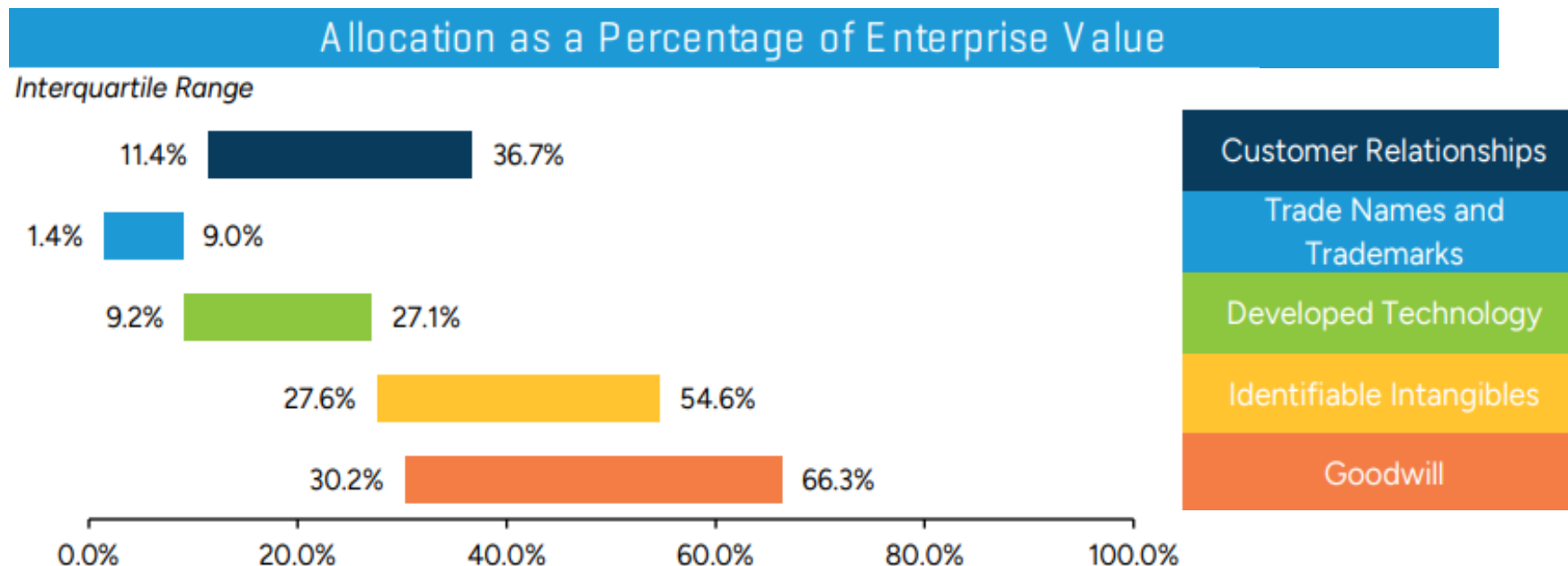




CUSTOMER CONCENTRATION

(\$ actual) Revenue By Customer	Year 1	%	Year 2	%	Year 3	%
Customer 1	10,066,118	48%	12,246,338	44%	14,979,754	41%
Customer 2	4,725,406	23%	5,973,993	21%	5,743,685	16%
Customer 3	0	0%	406,085	1%	4,099,399	11%
Customer 4	1,535,334	7%	3,448,540	12%	3,991,237	11%
Customer 5	1,917,617	9%	2,412,231	9%	2,502,263	7%
Customer 6	485,510	2%	705,043	3%	934,408	3%
Customer 7	447,489	2%	766,654	3%	850,051	2%
Customer 8	20,374	0%	160,768	1%	560,607	2%
Customer 9	0	0%	59,885	0%	471,330	1%
Customer 10	296,812	1%	336,168	1%	405,212	1%
All others	1,507,001	7%	1,370,672	5%	2,376,949	6%
Total Revenue	21,001,661	100%	27,886,377	100%	36,914,895	100%

INCREASED EMPHASIS ON INTANGIBLE ASSETS



Source: Stout Purchase Price Allocation Study. 2025

The office is filled with tension as Nene sits at her desk, surrounded by stacks of papers. Vanessa enters the room.

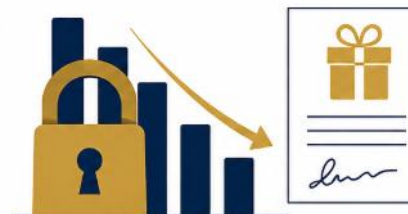
Interior Office – 45 Days Later...



IMPORTANCE OF ESTATE PLANNING BEFORE SALE

Pre-sale estate planning helps capture value, minimize estate tax liabilities, and ensure your legacy passes as intended

- **Lock in lower valuations for gifting**
 - Gifting or transferring ownership now may allow you to move future appreciation at a discount



- **Reduce or avoid estate taxes**
 - Federal gift tax exemption (\$15 million in 2026) provides opportunity to shift assets out of your taxable estate prior to sale

- **Review entity and ownership structures**
 - Dictates how business and personal assets are transferred, taxed, and protected upon an owner's death



- **Align with family and legacy goals**
 - Dynasty trust
 - Charitable remainder trust (CRT)
 - Donor-advised fund (DAF)



EIGHT MISTAKES TO AVOID WHEN SELLING

~80% of privately-held businesses available for sale each year fail to sell for any number of reasons...

1. Lack of investment thesis or rationale
2. Management neglects to take steps internally to ensure a successful transition of the business (e.g. management depth, facilities, equipment, safety, etc.)
3. Financials are not buttoned-up. No financial progression
4. Legal housekeeping never done
5. Seller neglects to develop a strategy to optimize and minimize taxes
6. Seller limits and/or takes for granted the potential buyer universe
7. Experienced advisors and deal team are not assembled or aligned on the seller's objectives

8. Management / Seller forgets there is still a business to run!

ABOUT THE PRESENTERS



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