Dear Executive,

Pursuing a deal-centric career path can be one of the best choices an accomplished senior executive can make, unparalleled in terms of both professional and monetary reward. Leading a deal in partnership with a buyout firm lets you put to work the skills and knowledge you have gained over your career.

Having worked with many established executives like you, we at Blackmore recognize that the most important reason for a financial sponsor to invest in a business is a convincing and defensible business strategy executed by an outstanding executive team. With that being said, it is imperative that you develop a clear sense of your own deal strategy. This will not only help direct your own activities, but it will also help establish your credibility and commitment in the eyes of potential financial sponsors. Financial sponsors' willingness to share their deal flow with you will grow exponentially given your demonstrated ability to articulate a compelling deal proposal.

We have developed the attached worksheet to help you organize your thoughts and record your progress as you consider creating and pursuing a deal thesis. Included are guidelines as well as a set of suggested "tests" as to whether or not your business proposal is likely to be attractive to private equity investors. We encourage you to "iterate" with us at Blackmore Partners as you begin to put your ideas on paper and further refine your thinking.

Blackmore Partners can help you evaluate and improve upon your deal proposal and will always respect the confidentiality of your work. In many cases, we will be able to help you turn your ideas into brief, high-impact presentations, and help you reach out to our client base of top-tier private equity firms to help make your business ideas a reality.

Best Regards,

Blackmore Partners, Inc

1) INDUSTRY SEGMENT DEFINITION & FOCUS

Guidelines:

Be as specific as possible e.g. "high-end, anti-aging skin treatment manufacturers," not "cosmetics companies OR "commercial swimming pool equipment distributors," not "distribution companies."

There will be opportunity to broaden your focus over time, so don't worry that being narrow will preclude you from wider-ranging discussions with firms in the future. Remember that this is just your opening gambit with regards to developing a deal thesis.

Focus on an industry area where you have deep experience (more than 10 years), recent experience (within the last 1-5 years), and strong contacts.

Try to focus on a segment with good underlying trends, particularly growth.

Try to identify changes, disruptions, underlying trends that will drive growth and make the industry compelling.

Try to identify as many characteristics of target companies as possible (size, geography, capabilities).

List Target companies you are aware of and reasons why there are relevant to your strategy - we will help you identify more.

Expect PE firms to be most comfortable with a target size of up to 75% of the size of your largest P&L to date.

Keep your revenue size range relatively narrow (large end no more than 4x small end).

Tests: Industry Segment Definition

1. Can you easily determine whether or not any given potential target fits into this definition? If not, further clarification is essential.
2. Does this definition encompass fewer than 5 potential targets? If so, consider broadening your definition.
3. Does this definition encompass more than 50 potential targets? If so, consider narrowing your definition.

Industry Focus:

Sub niche or Specialty:

Industry dynamics which make the industry compelling:

Characteristics of Target Companies:

Number of Target Companies for Platform:

Number of Add-on Target companies:

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2) OUTLINE OF VALUE CREATION OPPORTUNITIES

Guidelines:

Be specific e.g. "outsource plastic component manufacturing to China," not "reduce manufacturing costs."

Look for opportunities that tend to be pervasive throughout your target population.

Look for opportunities that are difficult for current owners to address based on their circumstances, whether founder/owners, public markets, or large conglomerates.

Focus on opportunities which enhance - **but** do not threaten or supplant — the target companies' current source(s) of cash flow.

Focus on opportunities which can be addressed within 3 years of purchase.

Tests:

1. Will you able to roughly estimate the EBITDA impact for each opportunity? If not it will be a hard sell for investors. Think dollars, % or revenue, small, medium, large.
2. Can you say specifically what steps will be needed to address each value-creation opportunity? If not, consider making your opportunity descriptions clearer and possibly narrower (i.e. break them into components)..
3. Have you addressed similar opportunities by making similar changes in the past?

Value-creation opportunity	Estimated EBITDA impact (year 4)
1.	
2.	
3.	
4.	
5.	
6.	
Notes:	

3) TEAM: Why are you/your team ideally suited to lead such an effort?

Guidelines:

PE investors take financial, operational, and market risk on every investment. They are therefore very much focused on avoiding any management risk at the outset of a deal. Give them reason to believe that you are the right person for this investment strategy.

Investors like to work with executives who are beginning to form the outline of a team in their minds. However, be careful not to over-commit to a given organizational structure which may or may not be appropriate for any given buyout opportunity.

It is perfectly acceptable to list more than one potential executive for any given position, so long as the CEO picture is clear.

There is no need to identify team members by name if their current employment situation dictates discretion as to their future plans.

The most important person here is the CEO, the rest can always be added later if needed - if however the CEO has a weakness, or there is a need to complement skills - adding that person to the list now will reduce risk.

Title	**Name**	**Summary of most relevant experience (employer, revenues, years, etc.)**	**Current situation**
CEO			
CFO			
Other 1			
Other 2			
Notes:			

Tests:

1. Has the CEO led a similar-sized or smaller company in this industry before?
2. Has the team addressed value-creation opportunities similar to those you are targeting in this situation?

4) TARGET ROSTER

Guidelines:

Listing specific companies makes your strategy more tangible for an investor, and it helps you test whether your target population definition is sufficiently clear.

List companies/targets without regard, for the moment, for whether they are acquirable.

For proprietary targets, it is acceptable to keep the name anonymous and location approximate.

Where revenues and EBITDA are not known, make estimates.

If you have made contact with a target, note the status of discussions in the notes.

Tests:

:

1. Are you able to name at least 5 targets? If not, more research is warranted.
2. Have you made contact with at least 2 targets in some fashion? Your efforts to reach target companies will greatly increase your credibility and leverage with investors

	Name, Location	**Ownership (public, private, founder, etc.)**	**Revs**	**EBITDA**	**Contacted (y/n)**	**Notes (For sale? Status of any contacts, etc.)**

5) EXIT OPPORTUNITIES

Guidelines

Opportunities to do an IPO or sell to another financial buyer are market-dependent and difficult to predict. Therefore, you should also consider identifying potential strategic acquirers.

The more different types of potential acquirers (different industries and different sizes), the greater the comfort will be among investors that at least one of those acquirers will be willing/able to acquire upon your desired exit from the investment.

Ideally, you will identify acquirers who will not be particularly interested in your target(s) now, as they would represent competition to do your deal, and therefore a higher price, but will become very interested due to changes you plan to implement in the business.

	Potential Buyer	Rationale
1		
2		
3		
4		