MARKETING & MEDIA AGENCY ROLL UP

The Alliance Group

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EXECUTIVE SUMMARY

The Alliance Group is an investment firm operating in the area of mergers and acquisitions. Merging complementary companies together, creating a larger integrated company with increased profits that will decrease risk, increase diversity, allow for access to much larger contracts, increase liquidity, the ability to cross sell, and share holder value.

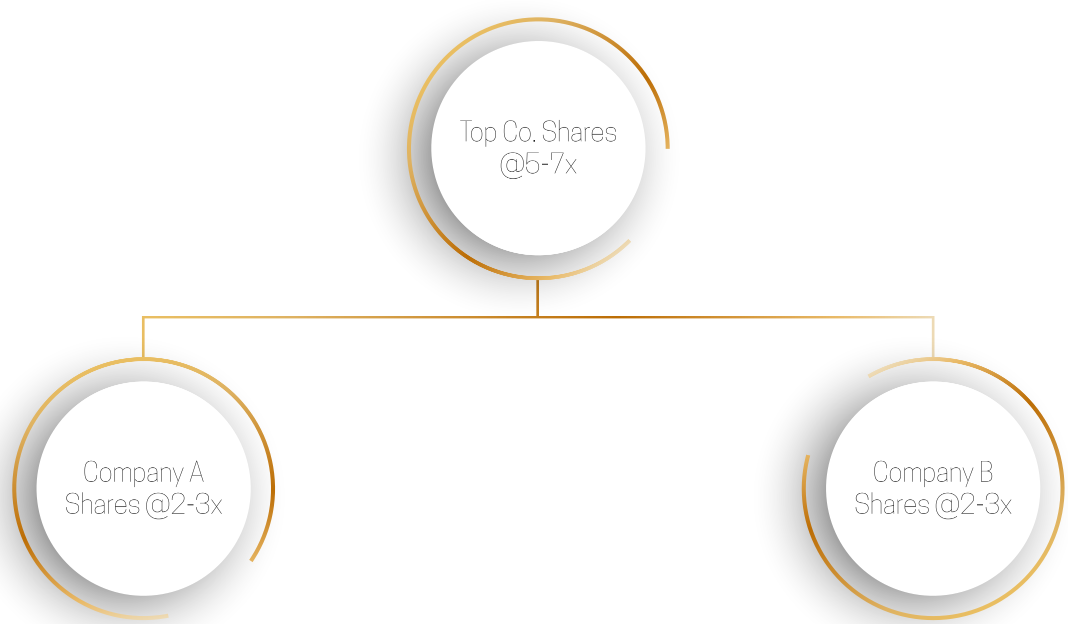
Alliance Group's strategy of bringing companies together, not only sky rockets each owners share value but gives each owner the opportunity to earn a maximum amount in an event of an exit. Our theory is simple.

WHY COMPETE? WHEN YOU CAN COLLABORATE!

WHAT IS A ROLL-UP?

A roll-up occurs when 2 or more smaller companies or business assets are combined to create a larger company ("the Group"). When the Business Owners sell their company shares or business assets into a roll- up, they receive equity in the Group. In many cases, the Business Owners will be required to work within the Group for at least a transitional period. While this is not necessarily dissimilar to a standard acquisition (where an earn-out may apply), as the Business Owner obtains equity in the Group it is in their interest to continue to work within the Group to protect and enhance the value of their shares.

Below is a graphic example of what that would look like:



VALUE ADD

Often the option of merging into a larger integrated company is discussed but never quantified into actual value outside of simply an "opportunistic venture".

So let's break this down operationally, and let's quantify the actual "value add" by taking this approach. For example let's say you have two marketing companies; Company A and Company B. Both company earn about $500K in net profits annually. Company A deals in SEO and Google Analytics, an essential component that Company B uses in its branding and marketing strategy for its clients customer acquisition process.

Company A operates in the USA, UK, and Australia. Company B only works within the US.

Once merged these two companies can cross sell to one another. Company A can sell to their clients a premium branding and marketing service (from the Company B) on top of the traditional traffic generation they previously offered. In addition, Company B now has access to two continents worth of new clients they can engage with. This reduces operational cost and risk when attempting to scale.

THIS STRATEGY WILL DO SEVERAL THINGS FOR YOU

- Decrease Risk
- Increase Scalability Vehicle
- Create the ability to cross-sell within the group, increasing revenue
- Share expenses amongst the group
- Increase share holder value

Ok, now let's quantify this approach. Below we have an accurate depiction of this approaches impact and value add to your business.

0. PRE- ROLL UP

Company A Equity: 100%

Company A Valuation: $1.5M

Company A
EBITDA: $500K
Multiple: 2-3x
Valuation: **$1.5M**

DE-RISK:
1. POST ROLL UP (GROUP MULTIPLE 6X)

Company A
EBITDA: **$500K**

Company B
EBITDA: **$500K**

Company A Equity: 50%

Company A Valuation: $3.0M

Group Valuation: $6.0M

GROWTH:
2. ROLL UP SYNERGIES EXECUTED (GROUP MULTIPLE 6X)

Company A
EBITDA: **$750K**

Company B
EBITDA: **$750K**

Company A Equity: 50%

Company A Valuation: $4.5M

Group Valuation: $9.0M

In this example the simple merger of two companies into a group raised Company A's valuation from $1.5M to $3.0M. As synergies occur where appropriate, a valuation of $4.5M was created, literally tripling Company A's value. This is the power of this strategy. In addition, we have included some other valuable incentives to this strategy that is an absolute win/win for everyone involved.

INCENTIVES

All companies agree that 80% of profits are shared as dividends.

Business owners will keep their same salary and nothing in their operation will change.

Owners will be incentivized to continue growth, not only through receiving growing dividends from the group but also earning 50% of all increased profits in their operation. **E.g. Earning $1.0M per year. Now apart of the group and they grow their operation to $1.5M. $1.2M goes to holding company to be disbursed as dividends. $150K is their bonus to keep.**

OWNER BENEFITS

1 COMPLIMENTARY CAPABILITIES / COMPLIMENTARY CLIENTS

Synergy can be achieved where individual businesses provide complimentary services that may be offered to clients of other businesses within the Group. Example: roll- up of individual risk, planning and accounting practices, a roll-up of graphic design, advertising and public relations firms that are subsequently able to offer broader services across their

2 CONSOLIDATION OF COSTS

Combining businesses that could share common fixed costs, such as infrastructure, compliance and backend processing, could lead to substantially reduced Group overheads. Additionally, by consolidating the purchasing power of individual businesses within a similar industry, the Group will be provided cost reductions through its economies of scale. Example: a roll-up of smaller planning practices that benefit from leveraging the compliance function across multiple practices

3 SCALE ADVANTAGE

In some cases combining the resources of individual businesses into a single Group can generate opportunities that were not otherwise available. This may be the case where large corporate or government clients have established purchasing criteria that would otherwise prevent an individual business from bidding for work. Example: multiple property developers must combine land holdings to achieve approval for a redevelopment; multiple manufacturers combine to achieve the minimum benchmark capacity required to bid for large corporate projects.

4 VALUATION MULTIPLE ARBITRAGE

By consolidating earnings of multiple businesses, the valuation multiple applied to the Group is typically larger than the individual multiples applied to the individual businesses. This is because larger revenues and earnings generally attract a higher multiple, as the portfolio of earnings is generally more desirable, is less volatile and hence lower risk.

5 IMPROVED EXIT OPTIONS

Increasing scale generally enhances the options available for exit. Many financial investors such as private equity funds and large strategic players will have minimum revenue/EBIT benchmarks for target acquisitions. Similarly, revenues and potential earnings are required to list successfully on a securities exchange. Combining the earnings of multiple businesses may enable the shareholders of the Group to exit via a sale to private equity or corporations buyers, or by listing (via an IPO or reverse merger).

6 A TRANSITION TO EXIT

In the ideal scenario, the roll-up presents a Business Owner with a short- term opportunity to expand their business, thereby re-energizing the Business Owner. In the medium term, the roll-up should offer the Business Owner a clear exit path. As such, the successful roll-up provides the Business Owner an excellent transition to exit.

OBSERVATIONS

The market is seeing a substantial appetite for roll-ups from financial investors and industry participants. We are seeing the roll-up strategy employed by business owners as a defensive play, in response to general industry consolidation within fragmented markets (such as is occurring with accounting practices) and as an opportunistic strategy (where the facilitator identifies "white space" within an industry that exists between small businesses and large corporates).