PETER & ASSOCIATES

Executive Summary

Peter & Associates (P&A) is a Vancouver-based holding company specializing in the acquisition of small to medium-sized MEP engineering firms. Our strategy offers founders a secure exit while maintaining management continuity for their firms. We assess potential mergers and acquisitions using metrics like the Seller's Discretionary Multiple (SDM) and Revenue Multiple, as well as draw negotiation insights from the strategies of industry leaders. To strengthen our market presence, P&A positions itself as a thought leader through extensive industry research, which is distributed across multiple platforms. Operating as an LLC, P&A's lean and decentralized organizational structure ensures efficient capital allocation decisions and operational flexibility. Currently, we are seeking $500K to $1M in investment, with a focus on identifying 10 suitable acquisition targets over the next three years.

Business Overview

Mergers and acquisitions (M&A) are often seen as a growth catalyst, yet they frequently bring organizational disruptions, particularly due to human factors. Increased turnover rates, influenced by leadership changes and cultural clashes, erode institutional knowledge and diminish the business's long-term intrinsic value [1][2]. At Peter & Associates, a Vancouver-based holding company specializing in acquiring small to medium-sized MEP engineering firms, we offer founders a secure exit strategy while ensuring continuity for its management and employees. Unlike firms engaged in hostile takeovers or leveraged buy-outs, our approach prioritizes enduring partnerships by preserving the unique qualities that had us believe the business to be exceptional in the first place. And by acquiring and nurturing them, we aspire to emulate the successes of companies like Berkshire Hathway and HEICO [3].

Industry and Market Analysis

To effectively evaluate the M&A landscape in the MEP engineering sector, P&A will focus on Seller's Discretionary Multiple (SDM) and Revenue Multiple. The SDM provides a clear assessment of profitability and financial stability by examining the earnings available to owners, while the Revenue Multiple offers insights into growth potential and market positioning based on consulting service income. Concurrently, we will study the acquisition strategies employed by industry leaders such as WSP, Statec, and Bowman Consulting Group to uncover negotiation tactics and acquisition frameworks. Additionally, we will deepen our analysis by exploring qualitative trends impacting the engineering sector, including workforce demographics and advancements in software and other technological tools. This approach involves interviews with industry experts, networking with potential acquisition targets, and reviews of business case studies.

Sales and Marketing Plan

P&A's primary customers are the founders of MEP firms. Given the niche audience, our marketing strategy will focus on establishing P&A as an M&A thought leader in the MEP industry. We plan to achieve this by producing industry research reports and memos that explore how the capital market intersects with MEP firms. These materials will be distributed through industry publications, our website, newspapers, and social media.

To conduct market research, the firm will start by identifying and understanding the specific needs, challenges, and preferences of founders within MEP firms. This involves gathering data on their thoughts on recent M&A transactions, their concerns about company culture and legacy, and their expectations from potential buyers. The firm will also analyze industry trends, study past acquisitions, and monitor the financial and market dynamics affecting these firms to make appropriate adjustments to the topics of our publications.

Operations Plan
The acquisition process at P&A begins with either founders reaching out to us or when we initiate contact with businesses we like. Once contact is established, an offer is made from our side, and negotiations are concluded swiftly to avoid prolonged transactions. Should a deal become such that dollars are fought to the last few digits, we prefer to walk away.

P&A operates as a Limited Liability Company (LLC) for its operational flexibility and legal protections, with a leadership structure that includes a team of Board of Directors, Chairman/CEO, a Vice-Chairman, and a CFO who also serves as the Treasurer. The organization is centralized around the head office, overseeing subsidiaries that operate autonomously. Subsidiaries are led by general managers who are either retained founders or newly appointed CEOs post-acquisition. Lastly, compliance and transparency are upheld through external auditors [see Appendix A]. This decentralized structure eliminates the need for HR oversight at the head office.

Financial Plan
Initial costs for setting up the business include legal and consulting fees required to establish the LLC [4], marketing expenses, and operational setup costs such as banking and real estate commissions. Ongoing expenses will include compensation for staff, administrative costs, and other recurring expenditures necessary to maintain daily operations. Information regarding consulting and commission fees will be provided by the service providers, while ongoing expenses will be estimated by the firm under fair assumptions relative to the number of employees [5].

In projecting revenue, the firm's strategy focuses on analyzing cash flows from potential M&A candidates. This involves reviewing 10-Ks or other related documents to build the base financial model. By adjusting for regional variations, prevailing market rates, and market multiples, the financial model can be refined further to reflect the true economics of the business. This will then be benchmarked against both the public and private markets, including indices like the S&P 500 and reports from firms such as Cambridge Associates [6], to judge if the projected revenue is on par. The process will iterate until the expected return from the collection of M&A candidates is above the market's average return [7].

To fund its operations, the firm aims to raise between $500K to $1M from retail and institutional investors. This funding target aligns with the valuation range typical for small-size MEP firms, which falls between $100K to $2M [8]. Adjustments to the initial funding expectations will be made based on prevailing market conditions, as it directly impacts the investors' expected/required rate of return. Similar information will be used in forming our pitch decks, which will include economic models covering factors such as raw materials, labor markets, and import-export regulations that directly impact construction projects, thus, MEP firms. These models and assumptions, together with details on M&A candidates and the firm's approach to capital allocation, will be shared with potential investors.

Action Plan and Strategy
Over the next three years, our focus will be on identifying and approaching 10 potential acquisition targets. Using these M&A candidates, the firm will attempt to secure the initial funds through proactive engagement with the prospective investors. However, securing these may be a challenge as the firm's reputation has not yet been built. To address this, the firm will leverage its network and industry connections to establish credibility and trustworthiness in the market. This will involve showcasing the acquisition philosophy, and emphasizing the potential synergies and growth opportunities that each acquisition target presents. Additionally, we will seek investments not only from retail investors but also from institutional investors, such as credit unions, banks, hedge funds, venture capital firms, and endowments.

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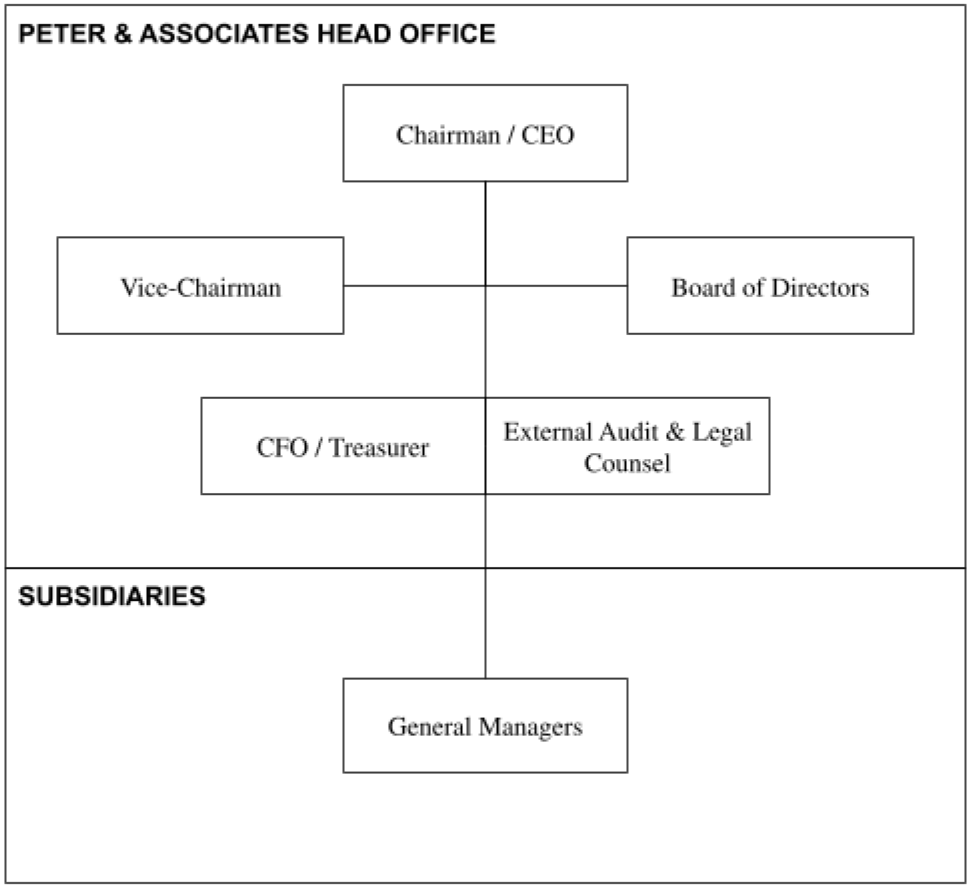
Appendix A


PETER & ASSOCIATES HEAD OFFICE
Chairman / CEO
Vice-Chairman
Board of Directors
CFO / Treasurer
External Audit & Legal Counsel
SUBSIDIARIES
General Managers