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WEBINARS

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The logo for VA Corporate Valuation Advisors, Inc., featuring a stylized 'VA' in blue with a swoosh above it, followed by the text 'CORPORATE VALUATION ADVISORS, INC.' in a smaller, blue, sans-serif font.

VA CORPORATE
VALUATION
ADVISORS, INC.

Valuation Implications for Private Equity, Public and Private Companies in this COVID-19 Environment

Are you Forecasting in the Dark?

June 4th, 2020 11 AM EDT

Webinar format and information

- Participants are in listen only mode today
- Questions can be submitted through the chat feature during this presentation
- Our Q&A session will address as many questions as our time allows
- A recording will be posted on the CVA, Reed Smith and ACG websites
- The PowerPoint slide deck will also be posted
- Feel free to reach out to presenters after the presentation with any additional questions

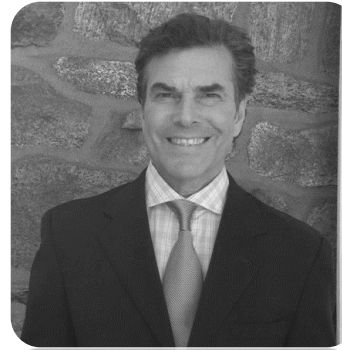




Christopher Sheaffer
Partner,
Global Vice Chair – Private
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Thomas Stapleton
President & Managing
Director
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"Life isn't about waiting for the storm to pass. It's about learning how to dance in the rain." author Vivian Greene

"That which does not kill us, makes us stronger," philosopher Friedrich Nietzsche

"If you're going through hell, keep going,"
British Prime Minister Winston Churchill.

About Corporate Valuation Advisors, Inc.

- CVA is an independent Valuation and Financial Services Firm
- Founded in 1988 with offices in Philadelphia and Milwaukee, now also located in New York and Chicago.
- Our services include: valuations of business enterprises, tangible and intangible assets, fairness & capital adequacy opinions as well as advising our clients on various tax and financial reporting issues.
- We serve Private Equity, Public & Private Companies, the legal & accounting community, the estate planning industry and financial institutions.

Valuation Considerations in a Distressed Market, PE and Public/Private Companies

*Presenter, James Volkman
Corporate Valuation Advisors, Inc. (CVA)*

THREE WAYS TO GET TO VALUE

1. Cost Approach – Seldom used except for earliest stage companies
 2. Market Approach – Comparison is the cornerstone of appraisal
 3. Income Approach – Present Value of expected cash flows
- Under normal conditions the Market and Income approach tend to converge

HANDLING DIVERGENCE IN THE MARKET AND INCOME APPROACHES

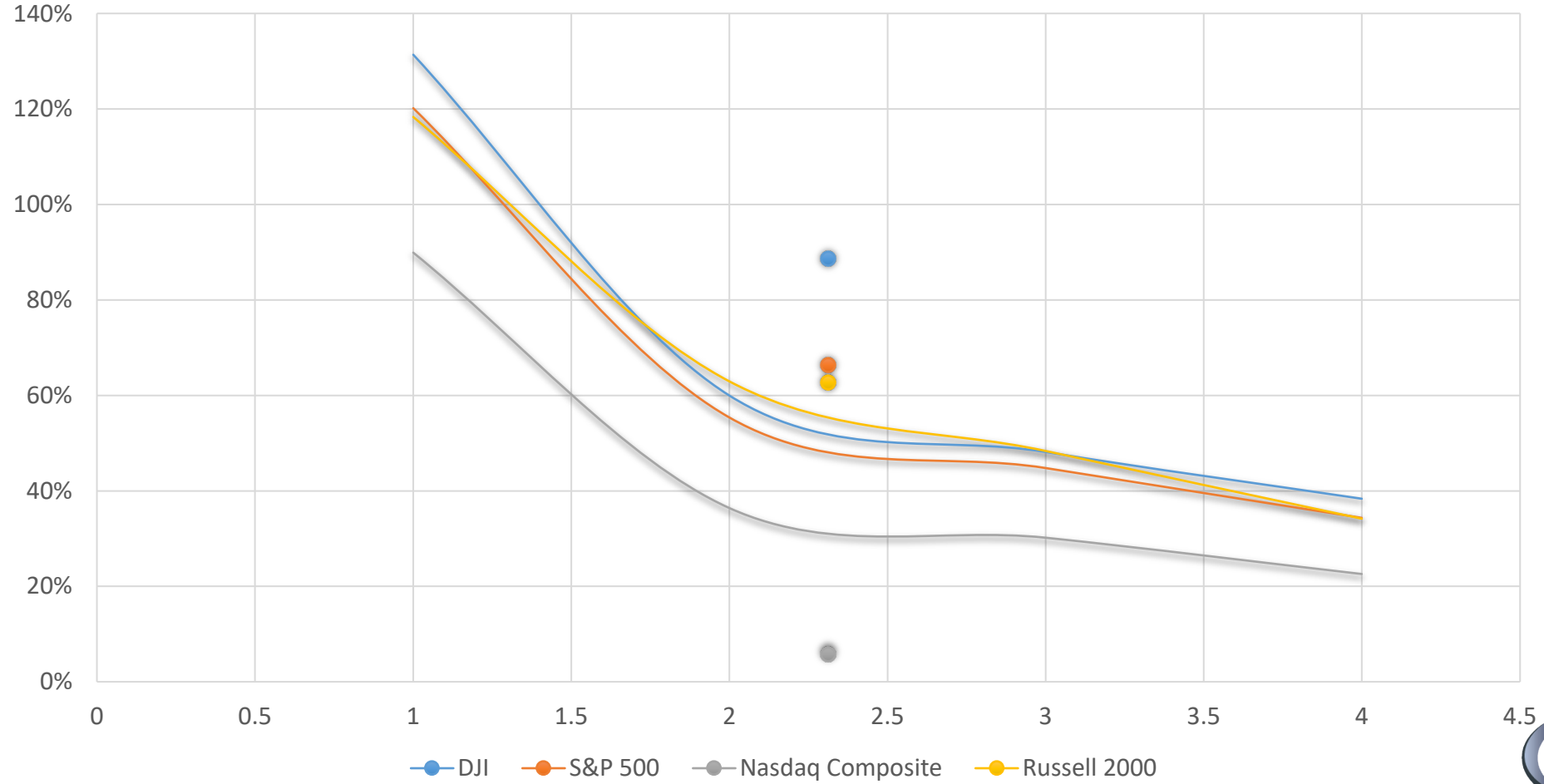
1. Change your weightings
2. Adjust the market and income inputs so values converge
3. Historical vs projected operating results
4. Transactional market approach limitations
5. Low interest rates and high leverage are skewing discount rates

VOLATILITY HAS CONSEQUENCES – STOCK OPTIONS

1. The cost of issuing stock options just got more expensive
 2. To quantify the effect, we calculated volatility of 4 stock indexes ranging from small to very large stocks
 3. We compared the volatilities over 1 – 4 year periods ending on 2.28.20 and 5.08.20.
 4. We computed the value of an option where the share value and exercise price were \$1.00 on the grant date
 5. For all indexes, a 4-year option granted on 2.28.20 was less valuable than a 1-year option granted on 5.05.20
- The results for the 4 indexes is presented on the following slide

Volatility Effect on Option Values

Feb. 28 vs. May 8, 2020



Private Equity, Public and Private Company Considerations in a Distressed Market

*Presenter, Chris Sheaffer
Reed Smith LLP*

About Reed Smith

- Reed Smith is a dynamic international law firm with more than 3000 employees, including 1700 attorneys across 30 offices.
- Our highly regarded corporate group includes nearly 300 lawyers around the world with experience spanning the full spectrum of corporate services.
- We help clients to meet their business objectives with smart, practical and cost-effective solutions. We are driven by strong client relationships and take the time to learn clients' businesses, cultures, and commercial objectives.

GENERAL MARKET CONDITIONS

- How has the COVID-19 pandemic impacted M&A processes?
 - Moving from a “Seller’s Market”
 - Fund Lifecycles
 - Deal Timelines
 - Availability of Financing
 - Other Emerging Transactions

BUYER PERSPECTIVES

- Valuation Concerns
 - Government Shutdowns
 - Employee Retention
 - Supply Chain Risk
 - Cash Flow
- Conducting Diligence in a “Virtual World”
 - Management Meetings/Presentations
 - On-Site Diligence
 - Increased Focus on Revenue Strength
 - Other Diligence Concerns (CARES Act, etc.)

BUYER PERSPECTIVES (CONTINUED)

- Transaction Specific Concerns
 - Closing Timeline
 - Regulatory Approvals
 - Executory Period – Maintaining Value
 - Feasibility of Financing
- Transaction Documentation – Mitigating Risk
 - Purchase Price Structures – Earnouts, Buyer Equity, etc.
 - “Drop Dead” Date
 - Interim Operation Covenants – Additional Consents
 - Additional Closing Conditions

SELLER PERSPECTIVES

- Transaction Specific Concerns
 - Closing Timeline
 - Working Capital
 - Closing Certainty
 - Executory Period - Operating the Business in the “Ordinary Course”
- Transaction Documentation – Mitigating Risk
 - Financing Sources
 - Material Adverse Effect Definition
 - Executory Period – Operating Flexibility
 - Operating Covenants – Additional Consents

CLOSING THOUGHTS

- How have deal makers and advisors reacted to the sudden shift in market conditions?
- Were deal makers and advisors prepared for such a dramatic shift in valuations and processes?
- What does M&A look like over the course of the next year?

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Q & A

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CVA
CORPORATE
VALUATION
ADVISORS, INC.

Thank You for attending today's webinar.

Please join CVA for our next two webinars on
June 25th and July 16th.

<https://www.acg.org/nyc/events>



UPCOMING WEBINARS

Register: acg.org/nyc/media/acg-ny-webinars

June 11, 2020 | 11 AM - 12:00 PM EDT
Virtual Panel: Distressed Deals in a Post-COVID-19 Marketplace

June 25, 2020 | 11 AM - 12:15 PM EDT
Webinar: What's Happening Now in the "New Normal" - Estate, Gift and Philanthropic Planning in the COVID-19 Environment?

June 18, 2020 | 11 AM - 12:15 PM EDT
Webinar: The Evolving Debt Markets in Today's COVID Impacted World

June 30, 2020 | 11 AM - 12:00 PM EDT
Virtual Panel: Impacts and Implications to the Food industry – from farm-to-table

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