

Growth Through Acquisition



Background	
Sector	Manufacturing
Established	1990
Products	Custom-designed, technologically advanced product line Strong growth potential for a new product
Workforce	Unique expertise
Strategic acquisition	Acquisition of a strategic provider with which several joint projects had been carried out in the past

Growth Through Acquisition



Chief Executive's Needs

- ✓ Obtain the necessary funds to support the commercialization of the new product.
- ✓ Proceed with the acquisition of the strategic provider to secure the corresponding technology.
- ✓ Seek out a new investor to help management in reviewing strategies, developing the commercialization plan for the new product and improving contract follow-up procedures.

Growth Through Acquisition



Project	
Phase 1	
Working capital for growth purposes	\$3 million
Product commercialization	\$1 million
Acquisition of ABC Tech	\$5.5 million
Phase 2	
Future acquisition	\$2 million
Total	\$11.5 million

Source of Funds	
Phase 1	
Common shares (QMF)	\$7 million
Interest-free loan and subsidy	\$0.7 million
Subordinated debt #1 (QMF)	\$1 million
Issuance of shares to two new company executives	\$0.8 million
Phase 2	
Subordinated debt #2 (QMF)	\$2 million
Total	\$11.5 million

Transaction

- ✓ Working capital improved to support business growth.
- ✓ Company has access to funding that will enable it to bring its new product to market.
- ✓ Acquisition of the strategic provider and issuance of shares to two new executives (5%) following a \$800,000 investment in the company.
- ✓ After the transaction, the founder will own 70% of the company and QMF, 25%.

Growth Through Acquisition



Needs

Obtain the necessary funds to support the commercialization of the new product and move forward with growth plans.

Proceed with the acquisition of the strategic provider to secure the corresponding technology.

Seek out a new investor to help management in reviewing strategies, developing the commercialization plan for the new product and improving contract follow-up procedures.

Preauthorized amount of \$2 million for future acquisitions.

Benefits

Balance sheet structure improved to ensure easier access to additional financing and increase credit line.

Easy repayments, based on future cash flows.

Acquisition completed: two executives from the company have been retained and the technology has been secured.

Allow the management team to focus on growth, not financing.

Preauthorized financing to ensure quick follow-through for future acquisition projects.