NEW ACQUISITION - PROCESS CHART

LIFT AUTO GROUP

1 CONFIDENTIALITY AGREEMENT (CA) EXECUTED

- After preliminary conversations, both parties execute a CA such that relevant information can be shared. All information will be held in strict confidence.

2 PRELIMINARY DUE DILIGENCE/VALUATION

- Seller to provide a base level of information (i.e., financials, operational data, insurance info, etc.) to Lift such that a business valuation can be prepared by Lift.
- The valuation is shared with the seller who reviews it to ensure that all the assumptions and conclusions used in the report are agreed upon.

3 LETTER OF INTENT (LOI) EXECUTED

- If both parties agree to a final business valuation, Lift presents the seller with a detailed LOI which outlines the key terms and conditions of the prospective transaction.

4 CONFIRMATORY DUE DILIGENCE

- Lift will collect additional information, as applicable, so that subjects can be removed (i.e., Lift to conduct site visits, collect environmental reports, etc.).

5 FINAL DOCUMENTS DRAFTED

- After subjects are removed, Lift's lawyers will draft all legal agreements for review and comment by the seller (i.e., Share or Asset Purchase Agreement, Lease Agreement, etc.).

6 PRE CLOSING TRANSITION ACTIVITIES

- Lift's transition team begins working with the seller to ensure a smooth transition for the staff on closing (i.e., conducting staff announcement of pending change in ownership and introduction to Lift, insurance transition, collect data for employee on-boarding, gather IT information, etc.).
- Lift's transition team typically spends the weekend prior to the closing date on site to transition operational and IT processes/equipment.

7 POST CLOSING TRANSITION ACTIVITIES

- Once the ownership change is finalized, Lift's transition team will work with the employees and train them on any new systems/processes.
- The transition team will also work with the seller to finalize WIP inventory and account access.
- The seller will finalize post closing activities (i.e., issuing ROEs, paying final AP balances, collecting final AR amounts, remit final taxes, etc.)

NEW ACQUISITION - FAQ'S

1 CAN LIFT DO EITHER AN ASSET PURCHASE OR A SHARE PURCHASE DEAL?

Yes, we have the flexibility to work with sellers to enter into a purchase agreement that best suits their financial needs.

2 DOES LIFT PURCHASE REAL ESTATE?

Lift does have the flexibility to acquire real estate in certain circumstances, but our primary objective is to acquire collision repair businesses rather than property. For most acquisitions, we have entered long term leases that create a win/win for both the property owner (typically the former owner of the business) and Lift. Lift locks in the longevity of its operation and the seller enters a long-term lease at fair market value with a very strong corporate tenant.

3 WHAT IS 'WORKING CAPITAL' AND WHY IS IT INCLUDED IN THE VALUATION OF MY BUSINESS?

For any business to continue operating at historical levels, a certain amount of working capital is necessary. Working capital is often thought of as [cash + receivables + other short term liquid items] less [current liabilities]. If an appropriate amount of working capital is not left in the seller's business, the purchaser would need to inject additional cash on closing so that the business can continue operating at its historic levels. This immediate cash injection has the effect of increasing the purchase price of the business to the purchaser. Another way to look at this is that a certain amount of working capital is essential for a business to function in the normal course. As such, working capital is effectively an 'asset' of a business, like a paint booth or welder, and a set amount of working capital is therefore included in the purchase price.

4 HOW ARE INVENTORY AND WORK-IN-PROCESS (WIP) VALUED FOR THE SELLER?

Both items are valued at cost, which is typical for business acquisitions. Regarding WIP, for jobs that are substantially completed, the receivable associated with it is allocated to the seller. For jobs not substantially completed, the purchaser would reimburse the owner, at cost, for any expenses incurred at the time of closing, and the receivable is now owned by the purchaser. Why is this the case? If WIP was valued by the purchaser at full retail value, the purchaser would end up losing money on these items after fixed overhead and opportunity costs are factored in, as these become the responsibility of the purchaser for the period in which the WIP is completed. This would negatively impact, or reduce, the value of a seller's business. Similar logic holds true for the valuation of inventory.

5 HOW IS MY EQUIPMENT FACTORED INTO THE VALUATION?

Lift's valuations are typically based on a multiple of maintainable cash flows. Given shop equipment is necessary to generate these estimated cash flows, any existing equipment is included in the business valuation presented to the seller. Having said this, purchase multiples can be adjusted upwards (i.e., the purchase price increased) if new equipment was recently purchased by the seller, perhaps to obtain new OEM certifications. In this instance, the new equipment is advantageous to Lift as it reduces the amount Lift must spend in the future. Conversely, if any major pieces of equipment, such as a paint booth or measuring system, needed replacement in the near term, this would increase the amount Lift needs to spend to maintain current cash flows, which can result in a reduced purchase price for the seller.

6 WHAT HAPPENS TO MY THIRD-PARTY DEBT?

Business owners will often take on third-party debt to help finance their company's growth. This debt can be in the form of a bank loan, paint contract loan, etc. If a purchaser agrees to assume this debt as part of the acquisition, the purchase price must be adjusted downward. Why? Because the assumption of debt represents a future amount the purchaser will need to pay in excess of the agreed upon purchase price. To adjust for this, Lift's valuation assumes that any third-party debt is paid out by the seller prior to closing the acquisition. Typically, this can be done directly by your lawyer using a portion of the sale proceeds. Alternatively, if Lift were to assume the outstanding third-party debt on closing, the purchase price would be reduced accordingly.

7 HOW LONG DOES IT TAKE FOR AN ACQUISITION TO CLOSE ONCE A VALUATION HAS BEEN AGREED TO BETWEEN LIFT AND MYSELF?

This is based on several factors. Lift is a very active consolidator in the collision repair industry. This means that we are in discussions with many potential sellers at any given point in time and often have several executed offers in place. To effectively transition new acquisitions into the Lift portfolio, which is of the utmost importance to us as well as the existing staff, Lift typically acquires one new shop every month. As such, once we agree to valuation with a seller, we will work with them to schedule a closing date as quickly as is possible given our current commitments and available resources.