








Lower Middle Market Investors

You've already explored the various options you have for exiting your business or obtaining additional capital to grow. But, narrowing the field to investment firms doesn't mean the decision is complete, as investors can vary in a number of different ways. Here we explain different common sources of capital and how each could affect your business.

When evaluating a potential investor, look closely at the firm's:

 <p>Funding: A firm may or may not have access to ready capital, which provides greater certainty of closing</p>	 <p>Size Preference: Some firms may have a minimum size for investment, or may require audited financials regardless of size</p>	 <p>Holding Period: Again, alignment on this depends on your goals, especially if you are rolling equity and seek a second liquidity event in the future</p>
 <p>Approach: From an owner's standpoint, you may want a firm that views your company's performance individually, versus as part of a portfolio</p>	 <p>Value Add: Most owners want support from the buying firm, without micromanaging. Understand the time and resources a firm will give you</p>	 <p>Transaction Structure: Your preference will depend on your goals: do you want to exit the company, roll some equity, or maintain a majority share of the business?</p>
	 <p>Number of Investments: This could be one indicator of how much time will be dedicated to your company by the firm</p>	

	Institutionally-Backed Fund	Search Fund	Independent Sponsor	Mezzanine Fund	Montage Partners
Funding	Typically backed by several large institutions (insurance companies, pension funds, etc.)	Backed by institutional investors who may provide capital to a searcher after a company is identified	Non-funded individuals who first identify a company, then search for investors to fund the acquisition	Typically a small business investment company (SBIC) licensed by the Small Business Association, funded by institutional investors	Funded by our own personal capital and that of our long-standing investor network comprised of individuals, many of whom are current or former entrepreneurs
Approach	Portfolio approach: performance is judged based on performance of fund, not of individual companies	Typically an MBA in 20's or 30's with little operational experience looking to acquire and operate one company as CEO	Typically an MBA in 20's or 30's with little operational experience looking to acquire and operate one company as CEO	Portfolio approach: performance is judged based on performance of fund, not of individual companies. More significant focus as debt provider vs. equity provider	Company-specific approach: because we don't operate a fund, every company stands on its own and is judged based on its own performance
Number of Investments	Multiple	One (likely their first)	One (likely their first)	Multiple	Multiple

Types of Private Equity

	Institutionally-Backed Equity	Search Fund	Independent Sponsor	Mezzanine Fund	Montage Partners
Typical Size Preferences	\$5M+ of EBITDA Audited financials typically required	\$3M to \$5M of EBITDA	\$3M to \$5M of EBITDA	\$3M+ of EBITDA Audited financials typically required	\$1M to \$5M of EBITDA
Typical Transaction Structures	Majority or 100% ownership	100% ownership only: typically owner must exit	100% ownership: requires CEO title	Debt investment with minority co-investment	Flexible across 100% ownership, majority ownership, or minority ownership. Every investment has some level of management ownership alongside us
Holding Period	Typically 5 years: dictated by investors who require capital be deployed and returned across 5 years	Flexible, but institutional investors typically require return near year 5	Flexible, but investors typically require return near year 5	5-7 years: dictated by the maturity of their debt investment	Flexible: we don't promise a specific exit timeline to our investors, and they don't expect it. We exit a company when it makes sense and when we and our management partners think the time is right
Value Add	Pressure to deploy capital means most are focused on finding the next deal and pushing for exits on current investments	One company receives 100% of searchers' attention, which is focused on growth	One company receives 100% of independent sponsor's attention, which is focused on growth	Post-closing involvement is limited given the breadth of their typical portfolio of companies with minority ownership	People-centric strategy, designed to work for each partner. We provide more than capital, without micro-managing. From marketing strategy to recruitment to outside advisement from our investor network, our resources are available to the companies in which we invest

Founded in 2004 and headquartered in Scottsdale, Arizona, Montage Partners is a people-first private equity firm dedicated to helping established businesses reach transformative growth. Montage Partners invests in companies in diverse industries, including business services, consumer, healthcare, industrial and technology. Above all other investment criteria, Montage Partners invests in exceptional people. Montage Partners is actively seeking new investments in companies in the U.S. with EBITDA between \$1 million and \$5 million.