

## Overview

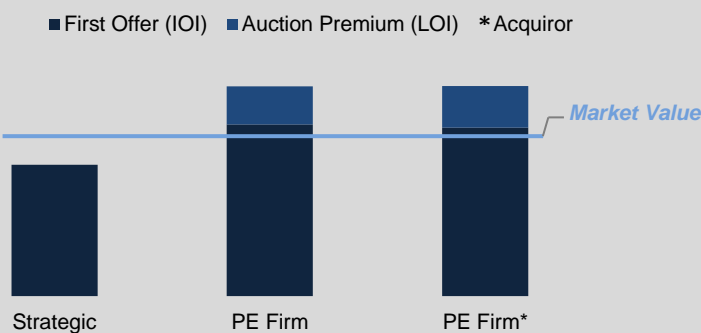


True North Mergers & Acquisitions (TNMA) was the exclusive financial advisor, selling Minnesota's premier cosmetic skin and body contouring Med Spa clinic. The Med Spa services industry has grown to \$15 billion ([AmSpa.org](http://AmSpa.org)). According to research reports from the American Med Spa Association, the highly attractive market demographic of medical spa patients is women (88%), of which 78% are younger than 55. The Med Spa industry demonstrates resilience following pre-COVID projections that impress investors. M&A activity in the sector remains hot.

## Key Takeaways

The Medical Aesthetics sector (MedSpas, Plastic Surgery, and Dermatology practices) has attracted Strategic and Private Equity buyers (currently, more than 50 PE firms are actively seeking lower middle market Med Spa acquisitions) that are consolidating the highly fragmented industry to drive costs down by taking advantage of the synergies when a buyer folds an acquisition into their existing business. TNMA's Compass Exit Opinion™ (CEO) strategy leveraged with favorable market conditions to negotiate a recapitalization deal structure that included consideration as cash at close and 20% as rollover equity deferring taxes with a secondary liquidity event at a higher valuation in a few years.

### QuietAuction™ Negotiations



### Results

The QuietAuction™ generated multiple Indications of Interest (IOI) from PE-backed Strategic acquirers looking to add to existing portfolio platforms. After management meetings with the three leading IOI submissions, TNMA's client had options as they reviewed Letters of Intent (LOI) detailing the multiple of normalized EBITDA related to the acquisition price, terms, and tax strategies, and the certainty and timeline to close. TNMA's deal team negotiated with the finalists to clarify and reconsider certain aspects of their LOI. The final QuietAuction™ negotiation results reflected a 30% premium enterprise value.

## CEO Process Insights

### 01 Preparation Phase

The deal team researched the significant players, industry trends, analyzed seller, and buyer activity and constructed a target list of over 50 highly qualified potential buyers.

### 02 Marketing Phase

TNMA's 3-phase confidential QuietAuction™ process generated strong interest from multiple qualified acquirers, ultimately resulting in the final bid being 30% higher than the seller's target price.

### 03 Execution Phase

TNMA organization of requested due diligence (DD) materials in the virtual data room, combined with the buyer's experience in the medical aesthetics sector streamlined DD requirements and expedited the closing without any material changes to the price and terms of the closing engagement.

## Buyer

### Private-Equity Firm

## Synergy

The MedSpa practice's steady revenue and EBITDA growth made it an accretive acquisition target for players with a footprint in the sector. The acquiring PE firm paid a premium for the practice because of its cultural fit with an existing platform, outstanding market reputation, and multiple synergistic growth opportunities upon integration.

The fact that the owner was willing to accept 20% of the purchase price as rollover equity gave the buyer added confidence in the seller's belief in the potential of their practice as part of the new larger entity and that the next liquidity event would be more valuable in a few years than it is at the closing table.

**Conclusion:** TNMA's client received multiple LOIs above market value from highly motivated and respected PE firms. Our client chose the offer with the integration and transition plan closely aligned with their values and culture. It also presented significant upside potential for their rollover equity stake a few years later.