Benefits from a Virtual Merger
Agglomeration 2.0

The Virtual Merger Model takes away the 3 main drawbacks of acquiring a smaller enterprise: risk, scaling, and liquidity. It democratizes the process of selling or merging an enterprise. It gives all power to the founders. It was born by entrepreneurs for entrepreneurs, to fulfil their potential, take back their lives, and drive their own destiny:

Scale

- All of the member companies share a common holding company, and continue to run their own business in their own way, but with a consolidated P&L and Balance Sheet in the holding company.
- This gives them the instant scale to point to, when pitching for contracts, as well as the geographical coverage and the product diversification of their fellow companies.
- You can be big and corporate when you need to, and small and dynamic as well.

Succession

- Each business is a separate Vertical within the group, and thus has limited liability. With its value published on a public platform, it is easy to acquire a similar business, when needed for succession. Add that one into that Vertical, and have their executive team take over the management of the existing one, without having to sell that one out. The newly merged company makes themselves instantly bigger, and gets a better than normal valuation (due to the scale & liquidity advantages).

- The best way to do succession in a company is through a merger, as the best people to run a business like yours are running a business like yours already! The missing piece has always been the bigger and better picture for both sides. The Cooperative Holding is that missing piece.

Demographics

- By agglomerating smaller businesses, you can create bigger players in each of the markets. Clustering creates a middle tier and a more stable and long-term business.

Liquidity

- The public platform allows people to sell when they want or sell a part and keep the rest. It creates financial freedom for the business founders. The fact that they are all in the same boat creates cooperation on driving share value and the timing of share sales.
- Selling happens more orderly, as there are sale restrictions for the first year, and there are bonus shares linked to over-average performance in following years.
- In order to re-balance high performance versus low performance members, these bonus shares also have further lock-in periods.
- Altogether, these rules create a stable value and a natural willingness to cooperate when it comes to selling the whole or a part of the company.

Wealth and value creation

- The above described model appears to be the holy grail of entrepreneurship.
- Your management decisions and actions have a direct effect on the others in the group.
- One dollar saved is multiplied in the holding company’s valuation. That extra dollar of profit gets the same multiplication, and everyone around the table has that same motivation.
- The sell or close choice has been eliminated. A smooth and steady exit has been established.
- All companies in the group will issue dividends. This means that the founders get income from their shares so they don't have to sell them all to have income.
- This is also a powerful mechanism for attracting outside investors, because profitable, debt free, and dividend paying smaller companies are rare beasts indeed!

Global expansion

- It is simple to acquire firms in new territories quickly and simply. This gives you a truly global business, because with 0 set-up costs and challenges, you can earn profits in every new territory.
- There are huge opportunities for service overlap, huge corporate tax savings, and production cost reductions, when you start to utilize different markets in this way.

Ego / Pride

- Under our Agglomeration umbrella, each business owner remains 100% in charge of their business, the brand stays the same, and there is no external interference in what they do.
- Each owner is at the center of their collaboration with others for a common purpose!

Portfolio approach

- Naturally, business owners are fearful about getting into bed with strangers. Our focus is on making sure that that does not feel strange.
- We also remind people that, as an illustration, instead of having $2MM worth of non-liquid stock in their own business (at present day value), they now have $4MM worth of more liquid stock shared across a number of debt free, profitable businesses.
- This portfolio approach to running your own business, allows you to also get stock incentives for over-performance.
- Since the market value is a derivative of profit, you still have real impact over your wealth improvement within your own business, but considerably de-risked.

Access to capital

- Our Agglomeration Model is a great way to be participating in that Trillions of Dollars/Euros, etc. Capital Pool available in this world for the SME sector, because we create vehicles big enough and interesting enough to attract that capital to buy-into our Holding Company.
- Each Vertical has also access to soft loans from the holding for working capital needs and growth.
- Many of our companies would love to buy up some of their debt-free and profitable competitors locally or globally, but lack the cash to do so. Our holding model has the funds and associates' expertise available to help consolidate the members particular niche sectors, or even add products or talent through acquisitions.

Talent retention

- As essentially nothing changes, there is no boat rocking to scare your key people.
- In fact, the founders are in for the ride to keep working and growing, so that the most important people will still be around. Particularly when you have the ability to reward your key people with holding company shares that are partially sold to outside investors.

Brand retention

- In the traditional egomaniac roll-up, the buyer wants to centralize everything including the brand! So much gets lost in this process! In our Virtual Merger Agglomeration Model, all the brands are intact and carry on business as usual, so none of that value is destroyed and you also have a potential portfolio approach to any brand damage issues in future.

Management

- Under our Umbrella Model, each company owner has both a seat on the executive board of directors, and keeps running their own business.
- They are not directed by anyone else.
- They have statutory duties which are slightly enhanced under the umbrella of a holding company but otherwise they have total autonomy and control of their own business.
- There are basic safe guards, and matters that are reserved for group decisions. These are all set out in a Constitution designed by the founders.
- The only task/duty of the executive board is to find ways to collaborate to improve their operations.
- Nothing is forced, just an open agenda to save or make a Dollar/Euro by working together.
- The majority of the shares are represented at these meetings, so it is in everyone's interest to make these meetings work.
- We put in place an equity incentivized Non-Executive Board to comply with the local law, such as legal, communications experts, and a chairman, plus some industry specific appointments.
- This board is voted on annually by the executive board, the board of the founders.

Synergies and centralization

- Since there is no synergy force, everything is left to organic growth.
- We believe that everyone's outcomes are perfectly aligned. Less interference is more productivity.
- Most of the value will come from the scale and liquidity. Any synergies are the icing on the cake.
- We view Centralization as the most common mistake in roll-ups.
- Centralized sales teams, etc. take years to get up to speed, cost excessive amounts of money to deploy, but do not leverage the talent and brands of the companies in the group.
- In our Virtual Merger & Agglomeration Model, the only touch point people have with the holding company is like any investor in the market.