Working with MRE Partners to Implement a Growth Company Playbook

How working with MRE Partners can help you establish a growth agenda to build a great company, while creating exceptional returns for shareholders

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I. Executive summary

MRE Capital was founded in 2008 as a private investment company and ultimately evolved into my family office around 2016. Today, MRE Capital is primarily focused on middle market private company investing (MRE Partners) and real estate investing (MRE Properties).

MRE Partners is industry agnostic. We are active investors, focused on partnering with growth-minded entrepreneurs who want to develop, build, and scale great companies. We invest our own capital with a truly long-term investment horizon. Most importantly, we are operators, and have spent our careers in the trenches building companies, building teams, and building long term relationships with customers and creating value for shareholders.

As both a Founder and CEO, I have written extensively about my passion for scaling small and lower middle-market companies (less than $100.0 million in revenue) to large companies (more than $1.0 billion in revenue). Our fundamental belief at MRE is that growth is the foundation of all great companies, and that becoming a great company is the only way to sustain growth. I have personally experienced how difficult it is to build a great company and consistently sustain profitable growth over long periods of time. I founded MRE as the vehicle to put what I've learned to work in helping others do the same.

At MRE, we have built a series of beliefs, principles, tools, templates, and processes that we believe greatly increase your odds of being successful in building and scaling a great company. The mission of MRE Partners is to work with founders, CEO's and leadership teams that have a desire to grow, learn and evolve. **The purpose of this paper is to lay out how MRE Partners could help accelerate your growth journey using what we call our Growth Company Playbook.** It is a playbook, not a recipe, as each industry and company are different and there is no one-way to grow and scale a great business. It is not our intent to address why you would want to grow (we did that in our point of view paper titled "Growing, Scaling and Building a Great Company")**.**

I have invested more than 30 years developing the principles of this playbook while growing Merkle from a small data processing business in Maryland with 24 employees to a global leader in digital marketing, marketing technology and customer experience with more than 10,000 employees, and 50 offices. When I bought the business at 25 years old, Merkle had $2.8 million in revenue. When I stepped down as CEO, Merkle had more than $1.2 billion in revenue, $300 million in EBITDA, and an enterprise value exceeding $4.0 billion.

I have seen this playbook work in almost any sized company across a variety of industries. I have implemented elements of this playbook with very young startups as well as mature businesses ranging from $25M-$1.0B+ in annual revenue. I have seen it work, and I am highly confident in our ability to help companies accelerate the difficult journey of scaling from a small or mid-sized business to a highly valued, mature upper mid-market or large company.

II. Our Core Beliefs

We have seven core beliefs that drive our thinking around creating a great company:

- Companies are built by great leaders; you will never become a great company without committed leadership.
- Great companies attract and retain great talent.
- Building a great company is hard and takes a long time.
- Growth is the lifeblood of all great companies.
- A strong and well-defined culture is the foundation of competitive advantage and a key attribute of all great companies.
- Maximizing shareholder value is the outcome of building a great company, not a strategy in and of itself.
- Time, and the compounding of experience and results over time, is the greatest creator of value and wealth for owners.

These beliefs are core to all our thinking and create the foundation for our approach to growing and scaling a great company. As you might notice, these beliefs are not meant to address every facet of a company. They don’t include what market you want to serve, what product and services you will offer, how you go to market, how you will deliver your services, etc. They primarily apply to what the owner and CEO should care about, and serve as a guide on how they should behave.

Building a great company

If you want to grow and scale over time, your primary mission is very simple: build a great company**. Great companies do two things well: they serve the needs of employees and customers and consistently grow revenue and profit overtime**. Great companies also tend to become very valuable over time, serving the interests of shareholders in addition to employees and customers.

So, what does it take to become a great company?

- The will to be a great company. You must want to be a great company!
- A compelling vision for the future
- A disciplined strategy that drives priorities and effective execution
- The ability to attract, recruit and retain high quality talent
- A set of beliefs that drive employee behaviors and culture
- The ability to create satisfied customers
- The ability to learn, change, innovate and evolve
- An effective performance management system
- Patience, determination, and an unwavering will to compete and win
- You must be profitable, well capitalized, and financially disciplined
- The ability to balance the needs of customers, employees, and shareholders

How do you know if you are a great company? It is pretty simple. You can observe and measure the outcomes of a great company. We would suggest the following are a good place to start.

- Do you consistently grow faster than your market?
- Do you attract and retain very high quality talent?
- Do you have repeat customers?
- Do you have very high customer satisfaction?
- Do you deliver exceptional financial results?
- Are you admired and feared by your competitors?
- Are you recognized as a market leader in your community or industry?

Growth as a driver of long-term success

So, what are the key elements of a growth company that the CEO and executive leadership team will need to build?

1. **Prioritize growth.** We are not talking about just saying the words. We are talking about making this the most important focus of the business. Set ambitious goals, and don't allow for excuses about the economy, competitors or lack of capital. You need to set the stage that growth is not an option. Adopt a grow or die mentality.
2. **Identify a path to growth**. How will you grow? For most mid-market companies this means, how do you expand into either new customer segments, new product/service lines or new geographies. It will also likely mean an ambitious M&A strategy.
3. **Build a long-term financial plan that sets out your growth ambition, margin, and cost targets.** It should also address gross margin, net margin, capital needs, leverage, and cost center targets for both the current year and next five years.
4. **Determine how to best organize and staff the company for growth.** You will need to define an effective organizational structure. Define accountabilities and responsibilities. Determine P&L structures. Identify critical skills and roles. How will you hire?
5. **Build an incentive system that creates alignment across the team/company as well as motivates individual P&L owners within the business.** You will need to decide if you will share equity across the executive team.
6. **Establish a management meeting rhythm that is consistent and effective**: weekly, monthly, quarterly, and annual meetings. Define the attendees and have a set agenda.
7. **Define your core beliefs and values as a company that support your growth strategy**. You will need to train your employees on your culture. You will also have to train your managers on how to manage within your cultural goals.
8. **Hold people accountable to doing their jobs, including executives, managers, and all employees.** You will need to set targets and goals. You will have to create a process to give employees feedback, both in real time and in a more structured way. You will need a performance management system.

III. Approach and Process

Implementing the Growth Company Playbook

In my experience, growing and scaling a business is hard. Most companies ultimately struggle to scale as evidenced by the fact that less than 1% of all companies in the US will grow to $100 million in annual revenue and 99.9% of companies will never get to $1.0 billion in annual revenue. There are several obvious reasons why this would be true, including lack of desire, lack of knowledge, lack of talent, lack of a large addressable market, lack of competitive advantage, lack of operational effectiveness, or lack of financial discipline. Notice, lack of capital is not a valid reason.

The focus of the Growth Company Playbook is not intended to address all these issues. For this discussion, we are going to assume that a company and its ownership/leadership have a true appetite for growth (most don't), have proven their product or service market fit, have sustained competitiveness in the market, have proven that they know how to get their product or service to market (know how to sell), have proven customer satisfaction, and generally understand how to manage both an income statement and a balance sheet.

Scaling from small to large

First, let's start with the obvious. You cannot build a large company unless you are committed to building a large company. It will not happen by itself. Second, as mentioned above, we are going to assume you have already figured out your value proposition, go-to-market strategy, business model, organizational structure, operating model and basic HR, legal and finance functions. For absolute clarity, er are not suggesting that you have nailed all these areas, as there is always much room for improvement. What we are suggesting is that if you have already grown to $25.0+/- million in revenue, you are profitable, and have established a successful operating track record for a few years or more, you have built a real company.

From here, we are going to shift the focus to the more subtle areas of the business, which we will presume have not yet been optimized. These would include vision, strategic planning, goal setting, delegation and accountability, performance management, financial management, operations management, and culture. These are the critical areas of the MRE Growth Company Playbook.

This playbook will not be implemented overnight. It will take time, likely many years. You will have to find a tight alignment between the CEO, executive leadership, middle management, and employees; and ultimately, the outcome is a systematic approach to growth that is strategically led and supported by a strong resilient growth culture and disciplined execution.

Much time and energy will need to be spent on this playbook, and it cannot be delegated by the CEO. It must be led by the CEO. There are no shortcuts; it is a journey, and maybe more than anything, a commitment from the founder/CEO/executive team/key shareholders to move the business forward by creating a place where the best talent will want to work, where employees can grow and develop, where you become a recognized market leader in your community or industry, all while creating extraordinary results for your shareholders.

We have no set approach to implementing the playbook as every company and situation is different, but generally, it starts with several sessions with the CEO/Founder and then the broader executive team to start to develop the vision and key goals for both the long term (next 5-10 years), and short term (the next 12 months). Fundamentally, the playbook is designed to help a CEO and his or her team answer the following questions:

1. How will we describe our vision for the future? Who do we want to be? How big? Why? When?
2. How will we document our long term strategy? What do we need to get right over the next 5 years? What are our core strategic themes? What products and services will we focus on? How will we expand? What are the critical metrics that will help us understand our progress, both short and long term? What role will M&A play?
3. How should we be organized? How do we create well defined accountabilities? What does a scalable structure look like? How will our P&L be structured? What critical roles are we missing?
4. How will we create incentives to support our long and short term goals? What is our philosophy on cash, bonus, and equity compensation? Who will be included? How will we pay for it?
5. How will we create alignment and a sense of shared accountability across the executive team? Senior leadership team? Employees as a whole? How will we give employees feedback on their performance? How will we hire and fire?
6. What will our meeting and communication rhythm look like for executives, management, and staff? Will we meet weekly, monthly, quarterly, annually?
7. How do we create and support a growth culture? What are our core beliefs, values, and behaviors? How do we document and train for culture?
8. How will we develop a multi-year financial plan? What are the growth plans for the next five years: revenue, margin, and cost targets? How is the business model defined? How much M&A could we afford?
9. How will we effectively capitalize the business? How will we fund growth? Will we use leverage? If so, how much?
10. What will the board look like? What is its primary purpose? Do we want outside directors?

It will take time, in my experience at least 1-2 years, to answer these questions in a specific and meaningful way that creates a foundation for the long-term success and growth of the business. It will then take many more years to operationalize the answers in a way that is both scalable and actionable. It is important to keep in mind there are no right answers. What matters is that you find the answers that work for you and your team that are aligned with your values, your beliefs, your culture and your business.

Let's dig into each of these questions a bit deeper

In many cases, I will use Merkle examples to help bring clarity to my thoughts and observations.

1. **Vision** - In my opinion, most people underestimate the power of a strong vision. I am not talking about a handful of words that we put on a wall or on our website. I am talking about aspirations

for the future. Paint a picture of the future to help employees and customers understand what the future business will look like and more importantly why it is valuable to them.

At Merkle, we talked about being an undisputed market leader in marketing services and being a billion-dollar global business. Is that exciting in and of itself? Not really. Did it set a tone? Absolutely. When I first started talking about Merkle becoming a billion-dollar company, we were less than $100 million in revenue, and most people thought I was crazy. When I kept talking about it year after year and measuring our progress against the broader goal, people started to realize I was serious. It set the tone, not only that we were going to build a big company, but to do so, we would have to work very hard as a team over a long period of time. It took us almost 15 years after we first stated this goal to achieve it.

2. **Strategy** - If vision is about aspirations, strategy is about choices and priorities. I also like to think about strategy in three timelines: long term (5-10 years), midterm (next 12 months) and short term (next 90 days). To me, the easiest way to frame strategy (assuming I have my vision right and my long-term financial goals developed, this is addressed in #8) is to simply ask myself: what do I need to get right in the next 5 years to be successful? Frame your answers as strategic themes. A long-term strategic theme might be to get our people management right (i.e., hiring, firing, comp, incentives, and performance management), or to focus on growth of enterprise customers (i.e. increasing revenue per customer from $250,000/year to $500,000/year). You get the idea. I have always had 5 or 6 long term strategic themes. In my opinion, any more than that isn't productive.

   We did the same for midterm strategy. What do I need to get right in the next 12 months? The answers tended to be more specific. Get our new ERP system launched in Q3, or revamp marketing to bring cost per lead down by $25.00. We tended to have 5-8 of these at the corporate level, and then had each functional area of the business do the same. So, across Merkle we might have had 200 strategic themes in any one year across the business. At the functional level, including lines of business and cost centers like marketing, IT, HR, and legal, the teams built initiatives designed to support the strategic themes. So, for the marketing example, I would want to know how you were going to reduce cost per lead, and that was conveyed through specific initiatives outlining the accountable owners (specific people) and timelines (target dates).

   With our annual themes in place for each key part of the business, we then really focused on what we need to get done in the next 90 days. We reviewed our progress for the previous 90 days and re-stated what we intended to accomplish in the next 90 days each quarter. This created urgency and clear accountability.

   As CEO, I would then ask myself a simple question: If we got all this done as described, would it advance the company at a pace that I was comfortable with against our long-term targets? We went through the annual theme setting process once a year and then reported against it and refined it quarterly, but I talked about our themes and goals constantly.

3. **Organizational Structure** - This is another area that requires more focus than is usually planned for. Getting the organizational structure right is a critical piece to scaling a business. There are three critical things to consider: 1. Structure follows strategy, not the other way around. All organizational structures have negative unintended consequences. Organize the business in the

way that best fits the strategy and then work to minimize the unintended consequences; 2. Similar to number one, organize for strategy, not for people. As you start to define what your organizational structure will look like, it is natural to think about who will sit in each "box" of the org chart. Don't fall into the trap of making the boxes fit the people. It will naturally constrain you from a talent perspective. Having an open box or two or realizing you don't have the right talent is a positive exercise and can be eye opening. Don't compromise the strategy or make the org chart work to accommodate the team. Recruit the people you need to be successful. 3. Re-organizations are necessary but can be very disruptive. Changing the company's structure and reporting lines may be necessary from time to time as the scale and complexity of the business grows or the strategy changes but be cautious. It is easy to view a re-org as the answer to all your problems, but in my experience it rarely is.

4. **Compensation and Incentives** - Most people think about incentives as purely financial. Clearly financial incentives are important, but money by itself is not enough to drive world class results. A shared set of goals and incentives are the glue that holds a team together. If a team clearly understands what the CEO thinks is important and measures those things over time and links compensation to them, people start to better understand what is fundamentally important and the interdependencies across the team.

   I have always looked at compensation across three levels: base pay, cash bonus and equity at the executive level. Getting compensation right is one of the harder things a CEO will do, especially for the executive team and their direct reports. If you don't get compensation right for a junior level analyst, that is one thing. If you don't get it right for your head of sales or your CFO, that is another. Get compensation right at the top and work your way down over time. Incentives is an area where everyone will have an opinion, and it will be easy to fall into the trap of constantly changing your incentive structures. Keep it simple, for both long- and short-term comp. If an employee can't understand how it works and where they stand, it will not drive the desired behavior.

5. **Key Metrics, Goals, Alignment, and Accountability** - As they say, "what gets measured gets done." Once we have a vision for the future, a core set of strategic themes and priorities, and an organizational structure to match, we now need to understand the key drivers of the business. Generally, we put these into four categories: customer, employee, financial and shareholder. Having specific short and long term goals against these critical areas of the business and tracking them publicly were my primary tools to understand our progress.

   For customers, this may include how many new accounts we brought on board this month, quarter, or year. It would include the size of client's business, cross sell success, customer satisfaction, customer profitability, discounts from standard pricing model, customer retention, etc.

   For employees, it might include tracking open positions, time to hire, employee satisfaction, employee retention, average compensation growth, etc.

   For financials, it would include tracking to budget, revenue growth, profit margins, revenue per employee, free cash flow, % revenue recurring, etc.

For shareholders, it might be as simple as tracking and reporting on growth in enterprise value over time.

At a high level, any business would benefit from tracking a minimum of four key metrics: organic revenue growth, profit margin percentage, employee satisfaction, and customer satisfaction. These are a good place to start.

6. **Meeting and Communication Rhythm** - I love meetings! Well, let me say that slightly differently, I love good meetings. I have heard from many people, including CEO's, throughout my career that they hate meetings. As a company grows, meetings become more important, not less important, and good executives will spend more and more of their time in meetings. Don't fight it, embrace it. Make them matter.

   This is true for two reasons: It will be harder and harder for the team to all stay on the same page as the company grows, and efficiency will decline. There are certain economies of scale in growing a business, and sharing knowledge is not one of them. The second is decision making. Most small companies operate in a hub and spoke fashion. Each member of the executive team goes to the CEO and then the CEO decides. This is not scalable. Meetings typically have three purposes in a growing business: information sharing, problem solving or decision making.

   There are several best practices for meetings. Publish a meeting schedule well in advance, define the purpose and agenda, define the audience, centralize presentations into a single format, start on time, and end on time.

   At Merkle, my meeting schedule looked like this.

   1. Weekly 30 min 1:1 meetings with each of my direct reports. These were usually held on Monday mornings (I would also do this with a handful of non-direct reports when I wanted to get to know someone or explore an area of the business or make a statement about how important I thought something was).
   2. Weekly 4-hour executive team meeting held on Mondays from noon-4:00pm. There were very few acceptable excuses to miss this meeting, and it was very rarely cancelled. We scheduled 4 hours, but the agenda was fluid. Sometimes we needed all the time, other times we didn't. Any member of the executive team could add a topic to this agenda.
   3. Monthly financial reviews – These were done as part of the weekly executive meeting. We reviewed the numbers as a team.
   4. Quarterly 2-hour business reviews – These were held with all major departments, including the executive leader and their direct reports.
   5. Quarterly 1 hour company-wide meeting for all employees – I prepared and presented the content. I was open and direct, sharing both good news and bad.
   6. Quarterly board meetings – These were normally a full day meeting with dinner.
   7. Semi-annual management meetings – These were a full day, VP level and above focused on business performance and strategy.

8. Annual play to win meetings – These meetings were held with all the major areas of the business to discuss long term strategy. These lasted a half day, plus dinner.
9. Annual management offsite – This was a three-day retreat with the top 200 people in the company. We held them early in Q1 to talk about our performance in the previous year, focus for the upcoming year, and long term strategy.
10. Annual leadership retreat – This was a three-day retreat that I led, focused on leadership development for executives being promoted from VP to SVP.

Keep in mind these were my meetings. I owned the agenda and they all got scheduled far in advance. I attended many other meetings, and my executive team had their own meeting structures too. I also participated in new employee orientations and management training programs.

7. **Culture** – As Peter Drucker said so well: "Culture eats strategy for breakfast." I must admit, the first time I read that I had no idea what it really meant. We were a small company at the time; probably less than 50 people in one office, and I knew most everything that was going on at Merkle and had a chance to "weigh in" on how we did things with major influence on most decisions on how we operated.

   A funny thing happened as we grew; people started making their own decisions, which is exactly what I wanted. I knew the only way to scale was to delegate. What I didn't expect is that people started making decisions that I didn't agree with! Why was this happening? I quickly learned this was happening for two reasons: people didn't value certain things the way I did, and they had a different point of view on the best way to do things. I had two choices: develop a set of rules that described how I wanted everything at Merkle to happen, but that seemed like a lot of work, and I didn't know how I wanted everything to work – this didn't seem like the right path. The second choice was to make all the major decisions myself and learn to be ok with the way others made decisions. This also didn't seem like the best plan.

   So, I decided to focus on two things: What I value and what I believe. I started focusing on and developing my values and beliefs and then training the organization on my values and core belief system. An example of this was my value of transparency, which meant there were no secrets at Merkle, so, when I shared information with my team, I expected them to share it with their people. I never imagined that they wouldn't, and some didn't, until I explained why I value transparency and it wasn't negotiable. Share, or find a new company to work for.

   Another example was my belief that business is personal. It is our job as managers and leaders to truly know our people, care about them, and care about their careers, and their families. If someone wasn't living up to our expectations, it was not an option to ignore it. We gave them candid feedback and tried to support them as best as possible. Sometimes their performance improved and they thrived, sometimes not and they left the company. Either way, they were never in the dark guessing how we felt about them and their performance and they were always treated professionally and with dignity. That is how we treated people we cared about.

I came to learn that culture was really our only form of competitive advantage. I wanted to build a company with a highly dedicated, motivated group of people who shared a common sense of purpose, values, and beliefs on how we intended to make Merkle a great company.

I owned the culture, period. These were my values, my beliefs. Did others influence me? Of course. But at the end of the day, I couldn't run a company if I wasn't aligned with our behavior day to day. How we would treat customers? How we would treat each other? Did everyone agree with my way of thinking? No, and that was fine. It just wasn't fine for them to be working for Merkle, and in most cases, they chose to leave or were asked to leave, and that was ok.

I wanted a polarizing culture. I wanted people to either quickly develop a sense of belonging, or a sense of frustration. What we quickly learned was that if you felt like you "belonged" at Merkle, you stayed and thrived. If not, you generally wouldn't last more than a year or two. Sometimes they were asked to leave, but more often, they started looking for a company with a culture that was more aligned with their thinking. Having an employee leave is not ideal and can be expensive and time consuming, and for many, would be seen as a failure, but developing and protecting the culture is more important than any one person. **Culture eats strategy for breakfast**.

8. **Multi-Year Financial Plan (MYP)**. You may be thinking, why is having a long-term financial plan worth talking about at this level? One reason: accountability. I believe in big goals, and as I said, transparency. Publishing our long term financial goals was important to our authenticity. We created a five year plan every five years. It defined our growth targets, margin targets, cost targets and M&A aspirations. We did this for each separate P&L at Merkle. At first, that was one or two P&L's. When I retired, Merkle had more than 50 P&L's. P&L's would roll up to business units, and we had five or six BU's that would roll up to our corporate P&L. We would then measure our progress against this plan. For clarity, this was a plan and not the budget. The budget was done each year with the idea we that we would achieve it. Sometimes our budget was ahead of our multi-year plan and other times we were behind.

   Most of the time, we had no real idea how we might hit the MYP numbers in year 5, but we did know we were going to do all that was possible to figure it out. Sometimes we were ahead of the plan, but most times we were behind. It was my job to share with the company why we hadn't achieved the goals as outlined on the MYP. It held me accountable, and then I would challenge myself and the team to get back on track. Over time, what surfaced was a drive to hold ourselves accountable to our vision of becoming a billion dollar company; and everyone at Merkle, from the receptionist to the senior executives, knew how we were tracking. No excuses.

9. **Capitalization –** Unfortunately, many lower mid-market privately held companies underestimate the consequences of early decisions about how to capitalize their business. Not to oversimplify, but there are three basic sources of capital to start or buy a business (I think buying is much easier, more on that later): your personal savings (including friends and family), third party capital (including venture capital and private equity) and debt financing (commercial banks and private lenders).

When considering how you will capitalize your business, there are a few things to consider. Each situation and company are different, so at the risk of generalizing, some of my key tenants at Merkle were: 1. Use debt whenever possible. Debt is one of the greatest creators of economic returns for business owners when used appropriately. 2. Raise as little outside capital as possible, allowing the management team to accrue the vast majority of the economic benefits of growth. 3. Maintain operating control of the business as long as possible. 4. Share equity across the management team (it is hard to think like an owner if you are not an owner) 5. If you do bring in third party capital, be sure there is value in addition to the money. Money is a commodity for any well run growth company. 6. Focus on generating and reinvesting your free cash flow. Generating a profit and reinvesting it into the business is the cheapest source of capital you can ever have.

10. **Board of Directors** - I didn't have a board for the first 20 years at Merkle and it is one of my greatest regrets. I controlled the company. I was the majority shareholder. I was the CEO, so what did I need a board for? Boy was I wrong. We first raised outside capital in 2010. We sold a minority interest of the company to Technology Crossover Ventures (TCV) in Palo Alto, CA. As part of that deal, TCV got a board seat, so we had to put a board in place, and frankly at this point, I was excited to do so. I wanted the accountability and the pressure to not only perform for myself and our team, but also for TCV as our first outside investor.

    My TCV partner, Dave Yuan (now with Tidemark) turned out to be a great partner to me and remains a good friend today. At some point, Dave asked me who else I thought could add value to our newly formed board, and after thinking about it, I gave him the profile of two people. Both profiles were linked to our strategy. One was a digital advertising executive, as we were pushing hard into digital at the time, and the other was someone with a tech services and consulting background. We ended up recruiting the recently retired CEO of Accenture Americas (tech/consulting exec), and the recently retired regional president of Razorfish, a digital advertising agency that had just sold to Microsoft. Both people became invaluable resources to me and helped me recruit more than 50 people to Merkle over the next five or six years. They had been there. They had done it, and they knew where the talent was.

    If I had done it earlier, we would have hit our growth targets years earlier than we did. Get a good board!

Implementing phases

There is no cookie cutter approach to implementing this playbook. I see it as a high-level **leadership and management system,** which means it is a set of tools and processes that help you determine and establish "how you will run the business." There are several reasons it takes time to implement a system like this. First, you will have to train your executive team, middle management team and ultimately your employees on how to operate the system and work within the system. Second, it will take time, and you will likely want to implement things incrementally in many cases. And lastly, there are no "right" answers, but you must invest the time it takes to determine the "right" answers for you.

With that said, there are a few high level stages that most companies tend to progress through. They include:

Phase 1-**Preliminary evaluation** - This stage is about assessing the current business and situation. This can mostly be done through a series of conversations with the CEO, and then ultimately members of the broader management team. In this stage, we will pick a few priorities, such as getting the vision right, establishing a multi-year financial plan, establishing long term strategic themes, setting divisional or department goals, on so on. It also includes identifying gaps in the current strategy, capabilities, and talent. Phase one might take a few months.

Phase 2-Preparation - In this phase, we start to establish buy-in, clarity, and accountability. Tools like the strategy map, and perfecting meeting rhythms, become foundational. You also begin working on the culture, including the value and belief system. In my experience, this phase is the most critical. You will experience pushback and doubt. The whole company might feel a bit unsettled, but certain leaders will step up and really start to lean in. They will become your champions. You will start to see some progress quickly, but also feel the pressure to make some big, long-term decisions around strategy, organizational structure, compensation philosophy, incentive systems and equity participation. This stage will likely take a few years of trial and error, and you will see some areas of the business evolve faster than others, and some members of your team evolve faster than others.

This is also the time you will have to re-evaluate your team. This, for me, was the most difficult part of the journey. I ended up turning over most of my executive management team three times over 30 years as we retooled for our next phase of growth. It is not a stage to be taken lightly.

Phase 3-Foundation - This stage is all about people, structure and rhythm. It generally starts with the CEO. I have never seen an organization grow until the CEO grows and the management team is fully developed and committed to the same path forward. To quote Jim Collins and his famous book Good to Great, the key to this stage is “getting the right people on the bus and in the right seats.” This stage clearly builds on stage 2 but with a real focus on establishing the “management systems” and “how” you intend to run the company day to day.

Phase 4-Accelerating - The acceleration phase is when the flywheel really starts to move. You tend to have executive alignment, and managers and employees know you are serious and begin to believe in the possibilities. The results start to speak for themselves. The whole management system at this point starts running itself, and most importantly, the culture is completely imbedded throughout the company.

This can be a fun time for the CEO. Your team has grown and matured, and things are getting done without your direct input or permission. Your team and their teams are now running the company because they know what you want, and they are skilled at delivering it. You can now focus on the things you want to focus on, not so much on the things you didn’t enjoy. Is everyday a bowl of cherries? No, but the company is becoming a “real business” and the flywheel continues to accelerate.

Phase 5-**Exit planning** - We haven’t talked a lot about an exit, and to be clear, I think most people sell their companies way too early. And for some of you, your purpose may be to never sell and instead pass the business on to the next generation. For me, I knew I wanted to build a big business that we would likely sell at some point.

I enjoyed the phases of growth. It was a lot easier and a lot more fun running a 500-person company than a 50-person company, and when we hit 2,500, that was a lot easier than 500, etc. I had no interest in selling. I had no interest in starting over. But I planned for the ultimate sale or exit continuously. I always

wanted to be prepared, and I knew that someday it would matter, because I didn't see Merkle as a family business that would be handed down to the next generation.

Meet the bankers in your space. Meet a handful of private equity investors. Meet strategic buyers before you intend to exit to get a better understanding of how they think and what they value. Build relationships, but also don't get distracted. I have seen so many CEO's get enamored with the interest in them that it becomes a distraction to the entire company. Of course, they are interested in you, that is their job!

We built Merkle from less than $3.0 million in revenue in 1989 to $285.0 million in revenue in 2010 with $350,000 in total equity capital. We boot strapped everything. Cash was everything, and we had a big focus on profits and cash flow from day one. We also used bank debt as a very effective and inexpensive financing tool. Although we had no interest in selling the business, we decided in 2010 that we wanted to raise some outside capital for the first time.

We had three objectives: 1. To provide some liquidity to the early investors who had not seen a return on investment for 20 years. 2. Strengthen the balance sheet to embark on a more aggressive M&A strategy 3. Establish a more formal board to increase our sense of accountability (I was still the majority shareholder and controlled the board) and guide us through the next level of growth.

We ended up selling 20% of the company for $70.0 million to Technology Crossover Ventures (TCV) in 2010. I started building private equity relationships three or four years earlier, which was very helpful in this process because everyone we invited to participate already knew us. We invited five private equity shops to bid, and all five did so at what I believed was an above average EBITDA multiple at the time (12X), and we did it without a banker. We were well prepared.

We ultimately repeated that process again in 2016, but with much bigger players, as we were now a $600 million dollar business with $100.0 million in EBITDA. This time we used a banker, and again we were well prepared. We sold 65% of the business to Dentsu at a market high EBITDA multiple of 17X and had an agreement to sell them the remainder of the business in 2020 at the same 17X multiple, achieving a final exit enterprise valuation of slightly more than $4.0 billion. A good outcome for shareholders.

The key to these above market outcomes was preparation and having a clear understanding of what a potential acquirer valued. There are several key things that most mid-market business owners don't fully appreciate.

1. Financials matter- having a consistent track record of organic growth and profitability is table stakes.
2. A high-quality management team matters - the quality of your management team and their desire to continue with the business will be a huge driver of value.
3. A high quality customer base matters - this might be demonstrated in several forms, including high quality clients, low customer churn, high recurring revenue, no client concentrations, etc.
4. Operational excellence matters - being able to demonstrate that you are a buttoned up, well-run company will go a long way. This can't be a story. It needs to be real and measurable.
5. A high-quality Board of Directors matters- I can't stress enough the value of a high-quality board that brings perspective and credibility.

My last critical point is don't rush into a sales process. I have seen this repeatedly. You must be prepared, or you will be viewed as disorganized and disjointed. In my experience, allow a good 6 months or more to get your house in order before you talk to potential investors.

IV. How we can help support your journey

First and foremost, what you see is what you get with MRE Capital. We are a small but growing team who is very passionate about partnering with like-minded private company CEOs to help support them in the growth journey.

We are not a traditional private equity firm. We are a family office, and I see myself as a business leader, builder, and operator. I have been in your shoes. My primary definition of success is working with people I respect, trust, and enjoy being around. Of course, we want to make money on our investment, but it is an outcome of doing what we love, not simply doing a job.

As we have now been involved in several new companies, both in majority and minority roles, since the sale of Merkle, we have found the areas below to be where we have been able to contribute and add value.

- Strategic Planning
- Culture Development
- Executive Coaching
- M&A Support
- Board Development
- Recruiting
- Digital Marketing Support
- Incentive System Design
- Raising Capital (equity and debt)
- Exit Planning

What we have also found is that having a good rhythm with the company founder/CEO and the broader executive team can be very effective. Although every company is different, our typical starting point would look something like this.

- Weekly or bi-weekly 30 min check in call with the CEO
- Monthly 30 min finance call with CFO to review monthly financials
- Quarterly board meetings
- Annual full day planning meeting

V. Closing thoughts

As I hope you can tell, I have a passion for growing high quality businesses and working with ambitious CEO's. If the concepts and ideas in this paper inspire you, and you are committed to truly building something special, something great, we would be very interested in exploring a partnership with you. It is also important for us to restate that this journey is not for everyone, and if these thoughts and ideas are not aligned with your goals, values, or point of view, that is also fine. The great thing about capitalism is choice. You can choose to be whoever you want to be and define your own definition of success.

I can also imagine some of you might be thinking, what is not to like about building a big company? Who wouldn't want to build a great business? Or a powerful culture that your whole company is proud of? Or a well-respected, energized, committed leadership team? What is not to like about making a lot of money and creating multi-generational wealth?

BUT you might also be thinking, he makes it sound so easy, or I have been doing this for a long time and I have not yet built a large company. Maybe you are thinking, I don't have the team, or I don't have the capital, or I have never done M&A, or I don't want to put what I have already built at risk.

I understand these thoughts and have experienced all of them as I built Merkle. Was building Merkle hard? Yes. Was it stressful? Yes. Did I make mistakes? Yes. Did we always know what we were doing? No. Did clients fire us? Yes. Did talented employees sometimes not buy into our vision and leave? Yes. Did we have some kind of special sauce? No. Did I always know what I was doing as a CEO? No**. But, we grew revenue and made a profit EVERY year for 32 years straight.** We focused on learning every day and never stopped evolving. We sought out people who could help us get to the next level. We were obsessed with seeing reality for what it was and dealing with it head on.

It was also a ton of fun and rewarding in so many ways. We created lifelong relationships and friendships. We created thousands of high paying jobs. We did great innovative and rewarding work for a broad group of world class clients. We invited hundreds of our employees to join us as shareholders and observed firsthand the impact we had on their lives through one of the most successful exits in the marketing services industry over the last 20 years. We created significant wealth for our shareholders/employees and created a new platform for our employees to grow and develop in the years to come.

I am proud of what we built at Merkle and extremely happy to now be working with a handful of new companies and leadership teams that have similar market opportunities, and more importantly, the aspiration to grow and a commitment to becoming great at what they do. We are now implementing many elements of the growth playbook described in this paper with great success and are having fun doing it.

If you have the desire to go on the journey of growing and scaling your company, we am quite confident that a relationship with MRE can be an accelerant to your growth and development, no matter what industry you are in or what scale you are today.

We bring capital that might allow you to de-risk by taking some money off the table or adding some strength to the balance sheet to support M&A and other types of expansion. We also bring experience and know how to scale a company, but most importantly, we bring a perspective and set of ideals based

on being in your shoes as operators ourselves. We understand that true partnership is always built on trust, alignment, and mutual respect.

There is no one best way to grow a business, and we don’t claim to have a magic wand.

What we have is two things. We have a point of view and a well-worn and tested set of tools that we have seen work successfully over a long period of time. We are confident that many of these tools could help you drive your business forward, accelerating your growth, profits, and enterprise value more quickly than you can likely do on your own.

Most importantly we believe we know how to be good partners. We understand the role of a CEO. We understand how to support you, but never undermine your actions. We understand that the role of being a good board member is about being a good listener and working with influence, not authority. Most importantly, we understand that this is important to you, your family, your team and your customers, and we don’t take that lightly. With true partnership comes true responsibility and accountability.

VI. About MRE Capital

MRE Capital was formed in 2008 and is the private investment company and family office of David Williams. David spent more than 30 years building Merkle, a leading digital advertising and marketing services company. David acquired Merkle in 1988, which was then located in Lanham, MD with 24 employees doing approximately $2.8 million in revenue and $800,000 in EBITDA, becoming its CEO at age 25. He then grew Merkle, through a combination of service expansion, geography expansion and M&A to $1.2 billion in revenue and $300 million in EBITDA and $4.0+ billion in enterprise value when he exited as CEO after selling the company to Dentsu, the largest publicly traded advertising and communications company in Japan in 2020.

MRE has two core focus areas - real estate and privately owned operating businesses. Our real estate portfolio has investments across retail, mixed use, industrial, multi-family office and veterinary real estate across the eastern United States. Our operating business investments include business services, quick service restaurants, fast casual restaurants, home services, real estate services and private equity.

MRE's primary mission is to be the partner of choice for mid-market privately held family businesses that seek a partner to help support continued growth in large, fragmented industries over long periods of time. We can be reached at info@mre-capital.com.