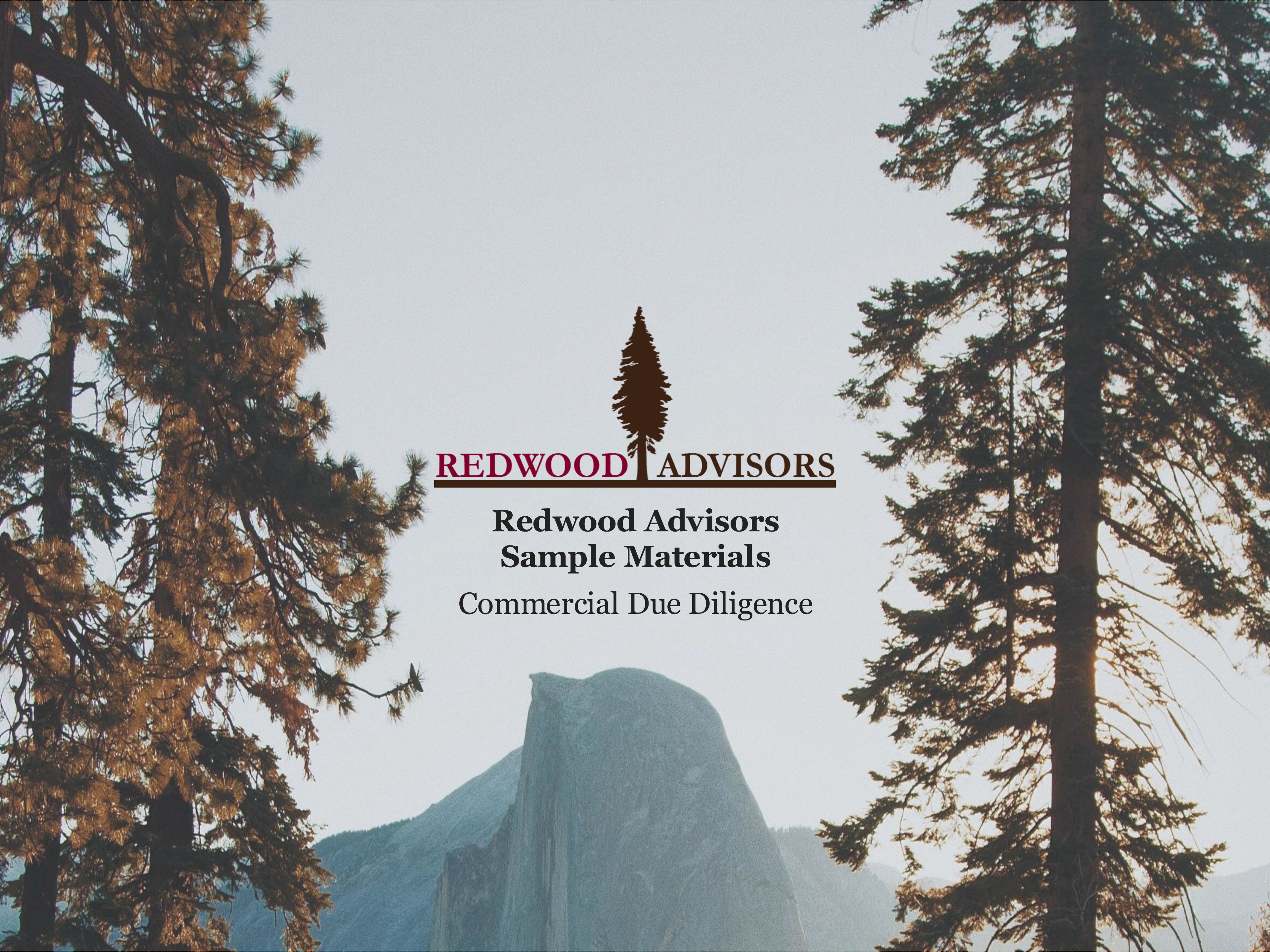


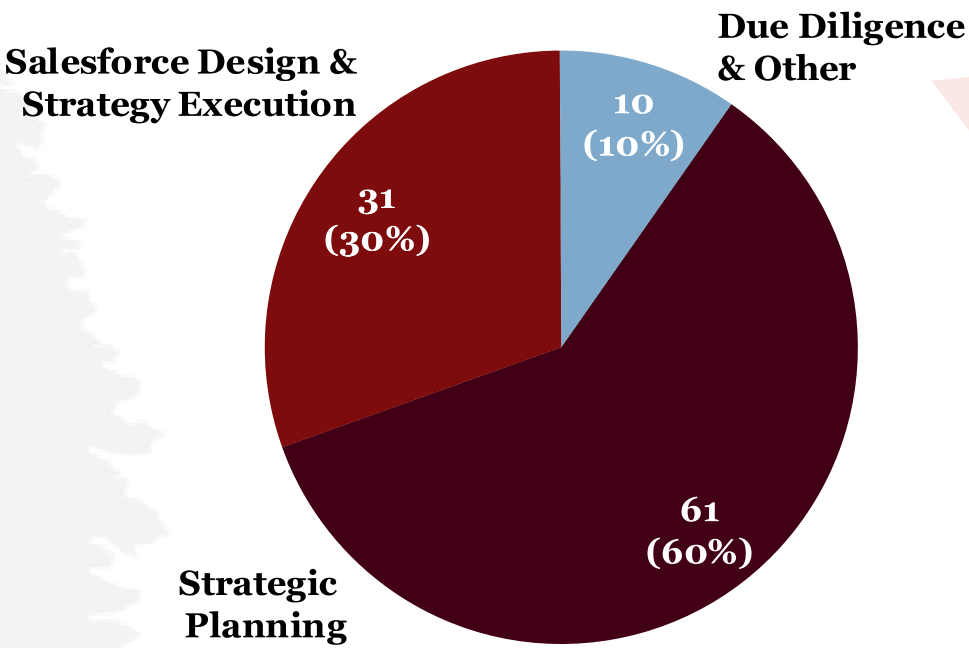
REDWOOD ADVISORS

Redwood Advisors Sample Materials

Commercial Due Diligence

Redwood Advisors helps investors & buyers conduct commercial due diligences leveraging an extensive background in distribution and manufacturing

Number of projects (% of projects) (N=102)



Due Diligence overview

We bring a **rigorous, industry-tested approach** to **evaluate revenue quality, margin durability, profitability, and underlying growth drivers**—equipping investors and operators with the clarity to **make confident go / no-go decisions**

Previous clients – *Illustrative sample*

Swagelok Northern California · AGS · GAVEN · GranQuartz · 3RC 3 | RIVERS CAPITAL · McELROY · PACE · CENTRAL PRO SUPPLY

Agenda

Diligence Approach & Overview

Market Sizing & Analysis

Competitive Positioning

Current State Business Overview

Commercial Org Overview

RWA customizes diligence approach to best fit client needs

Commercial Due Diligence: Approach Overview

Key diligence areas	Overview
Market growth & demand drivers	• Assess overall market size, growth trajectory, and the underlying demand drivers shaping future expansion
Competitors & differentiation	• Evaluate key competitors, relative positioning, and the target's core differentiators and comparative advantages
Market share analysis	• Analyze current market share, share stability, and opportunities or risks for gaining/losing share across segments
Customer health & segmentation	• Assess customer base composition, retention/churn, and segmentation by needs, behaviors, and value
Revenue quality	• Evaluate revenue durability (recurring vs transactional), pricing realization, margin structure, and cost-to-serve economics
Go-to-market effectiveness	• Review sales model, channel strategy, pipeline health, conversion rates, and scalability of the commercial engine
Commercial organization	• Assess structure, talent, incentives, and operational maturity across sales, marketing, and customer success functions
Key risks	• Identify major commercial risks and integration considerations, including synergies, cross-sell opportunities, and execution risks

A commercial due diligence project with RWA focuses on analyzing a potential M&A target based on deal tenets defined with the client

Final project output includes an assessment across the key diligence areas and key insights uncovered during the analysis

Our clients often request due diligence support in 6 key scenarios

High-impact situations:

1 New Market Entry
- Target serves unfamiliar end markets or segments
- Limited visibility into growth outlook, competition, or demand drivers

2 New Products and/or Services Expansion
- Target introduces new categories, solutions, or services
- Unclear customer demand, adoption rates, or differentiation

3 Platform Acquisitions
- Investment depends heavily on market growth and share expansion
- Requires validation of long-term opportunity

4 Larger or Transformational Deals
- Significant capital at risk
- Acquisition meaningfully changes company scale or strategy

Medium-impact situations:

5 Add-ons in Core Markets
- Target operates in the same market, geography, and customer segments
- Focus on customer overlap, market share, and execution risks

6 Repeat Acquisitions Within a Proven Focus Area
- Market structure and growth outlook have not materially changed
- Incremental diligence can be targeted to specific risks or opportunities

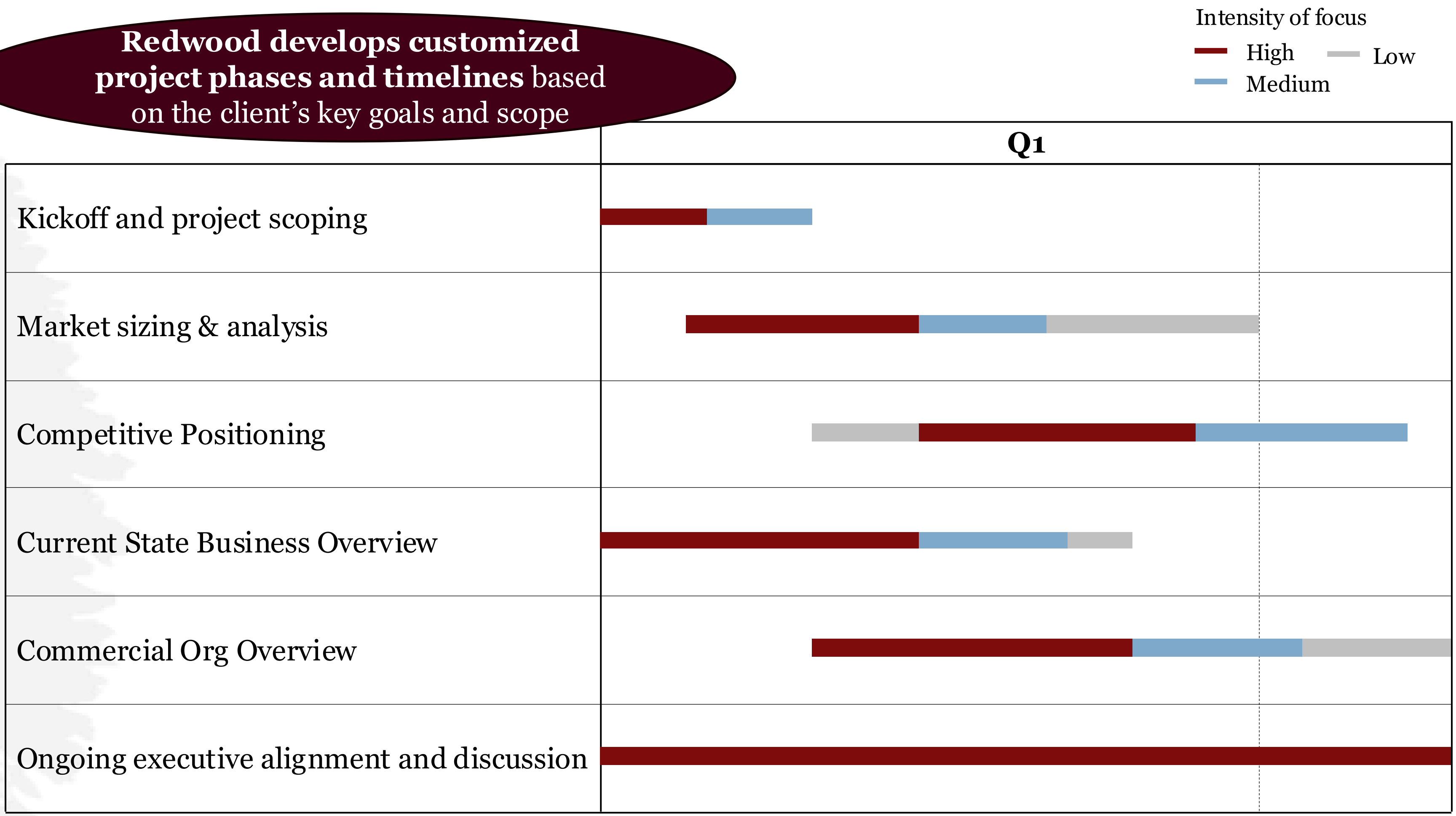
Team collects key tenets and early insights into a high-level diligence checklist

Key diligence areas	Deal tenet		Emerging insights
Market growth & demand drivers	• Exposure to structurally growing end markets with resilient maintenance demand	✓	• Target prioritizes faster-growing verticals (e.g., logistics, utilities)
	• Meaningful revenue exposure to higher-growth, service-led offerings (e.g., VMI, kitting)	✓ (low conviction)	• Service-based offerings are growing faster than core product distribution
Market share analysis	• Established share in fragmented regional markets with room for consolidation	✗ (low conviction)	• Target has some presence in a limited number of underpenetrated geographies
	• Demonstrated ability to expand share within existing accounts	✓ (low conviction)	• Consistent share gains driven by service differentiation
Revenue quality	• High proportion of recurring or contract-based revenue streams	✓	• VMI and service contracts drive higher retention and visibility
Go-to-market effectiveness	• Scalable sales model with clear segmentation and coverage strategy	✗	• Sales performance varies significantly by rep, indicating execution gaps

Legend: ✓ True – high conviction; ✓ (dotted) True – low conviction; ✗ (dotted) False – low conviction; ✗ False – high conviction

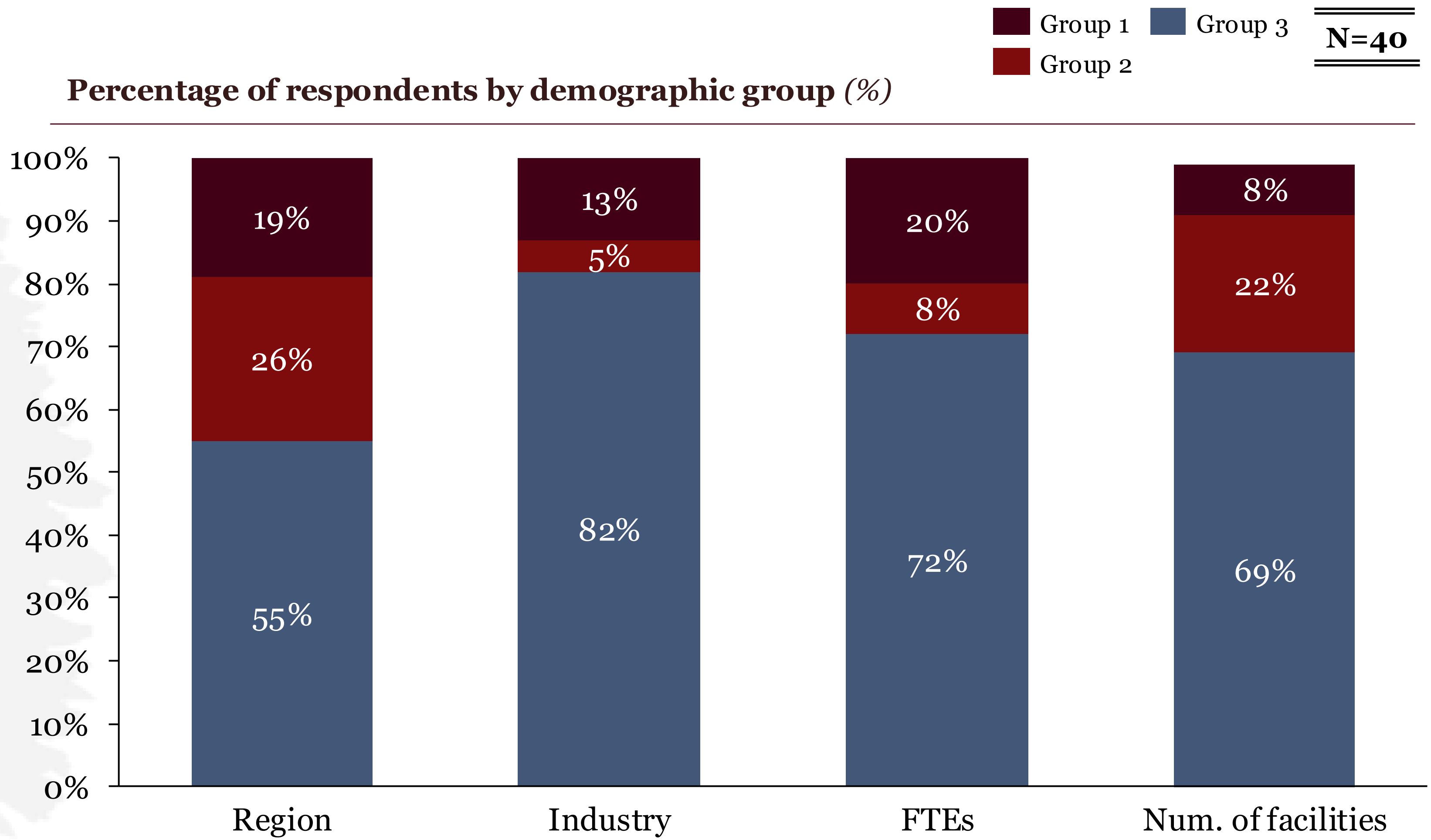
Commercial Due Diligence: Illustrative timeline

Redwood develops customized project phases and timelines based on the client's key goals and scope



Engagements usually last ~6 weeks, though timelines vary significantly based on scope, data availability, stakeholder engagement, and market research required

Market surveys and interviews are conducted to collect insights for the diligence effort



Team releases customized surveys across a broad swatch of relevant demographic groups

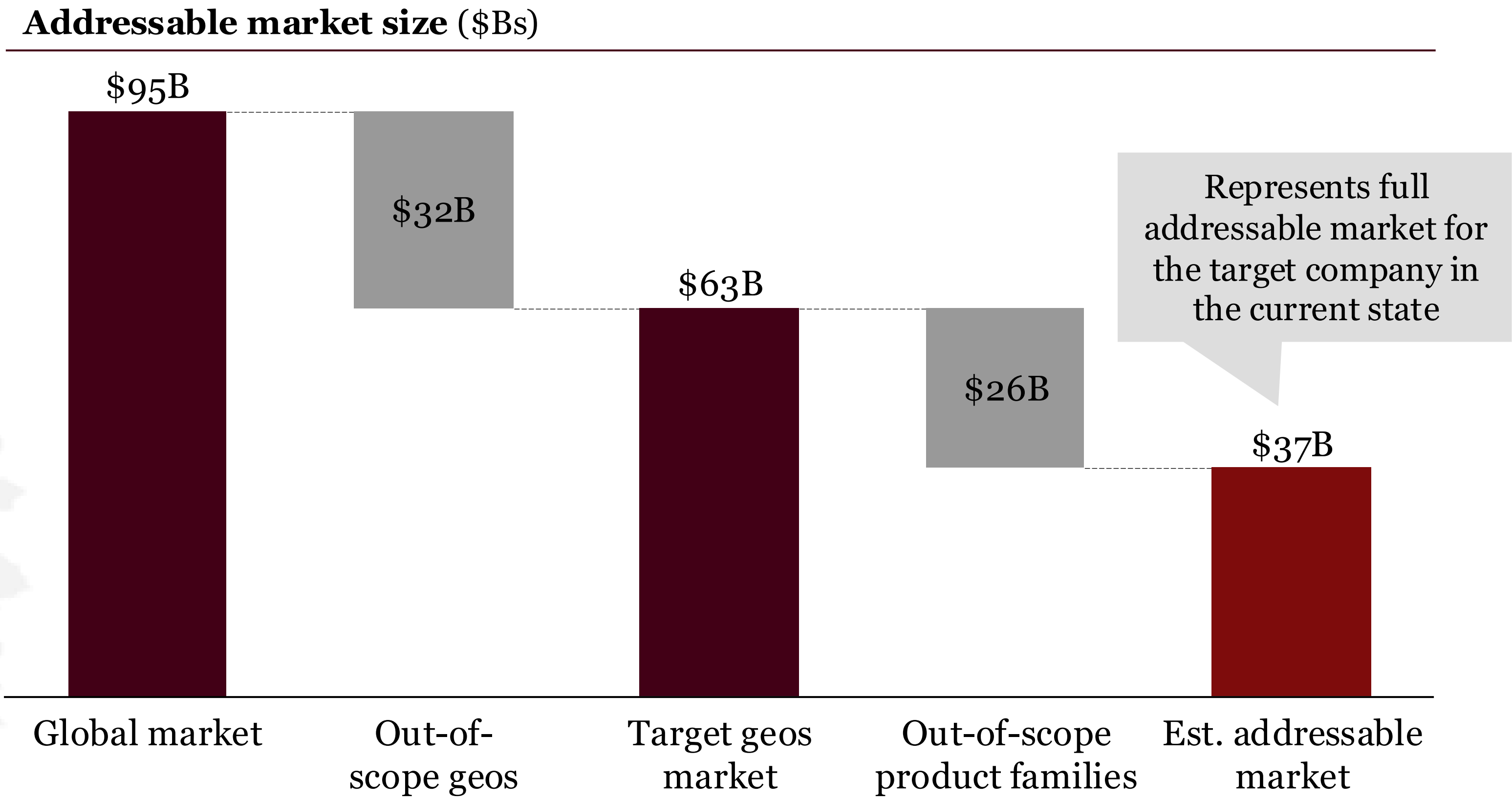
Key winning and warning factors are summarized in a one-pager at the close of the project

	High		Low
Warning factors			
Winning factors			

Criteria		<Target>	
		Ranking	Rationale
Winning factors (only one green criterion needed)	Market growth >7-8% for relevant segment		• Relevant market growth expected to be 7-8% for the next 5+ years
	Gaining share (outstanding, differentiated customer feedback)		• <Target> expected to continue to outgrow its market segment by ~1%+ due to leading NPS and strong customer advocacy
	Obvious product or geographic adjacencies for expansion		• Recent acquired customers offer cross-sell platform and further SOW upside • Multinational customers may offer <Target> a potential additional growth trajectory, particularly if it gains further international scale and capabilities through M&A
	Cyclical growth >10% CAGR for 5-year holding period		• <Target> five-year growth rate likely to dip to low to mid single digits in the event of a recession during the hold period
	Obvious, predictable in advance, strategic acquirers	*n/a*	• *Not a key element of investment thesis*
	Meaningful margin improvements	*n/a*	• *Not a key element of investment thesis*
Warning factors (only one red criterion increases risk)	Unfavorable competitive dynamics		• <Target> has leading customer advocacy supported by strong customer service; increasing scale and complexity of solutions likely to favor large integrators
	Unforeseen or underestimated technology / business disruption		• Current and expected technology shifts unlikely to significant challenge <Target's> business model
	Consolidation challenges		• Strong track record of M&A execution; significant room to grow in NA market though may require volume acquisitions; international adds to potential targets
	Missed or misunderstood a penetration curve		• Market growth is not significantly reliant on new adoption
	Recession proof		• <Target> five-year growth rate likely to dip to low to mid single digits in the event of a recession during the hold period
	Unrealistic margin improvement	*n/a*	• *Not a key element of investment thesis*

Agenda

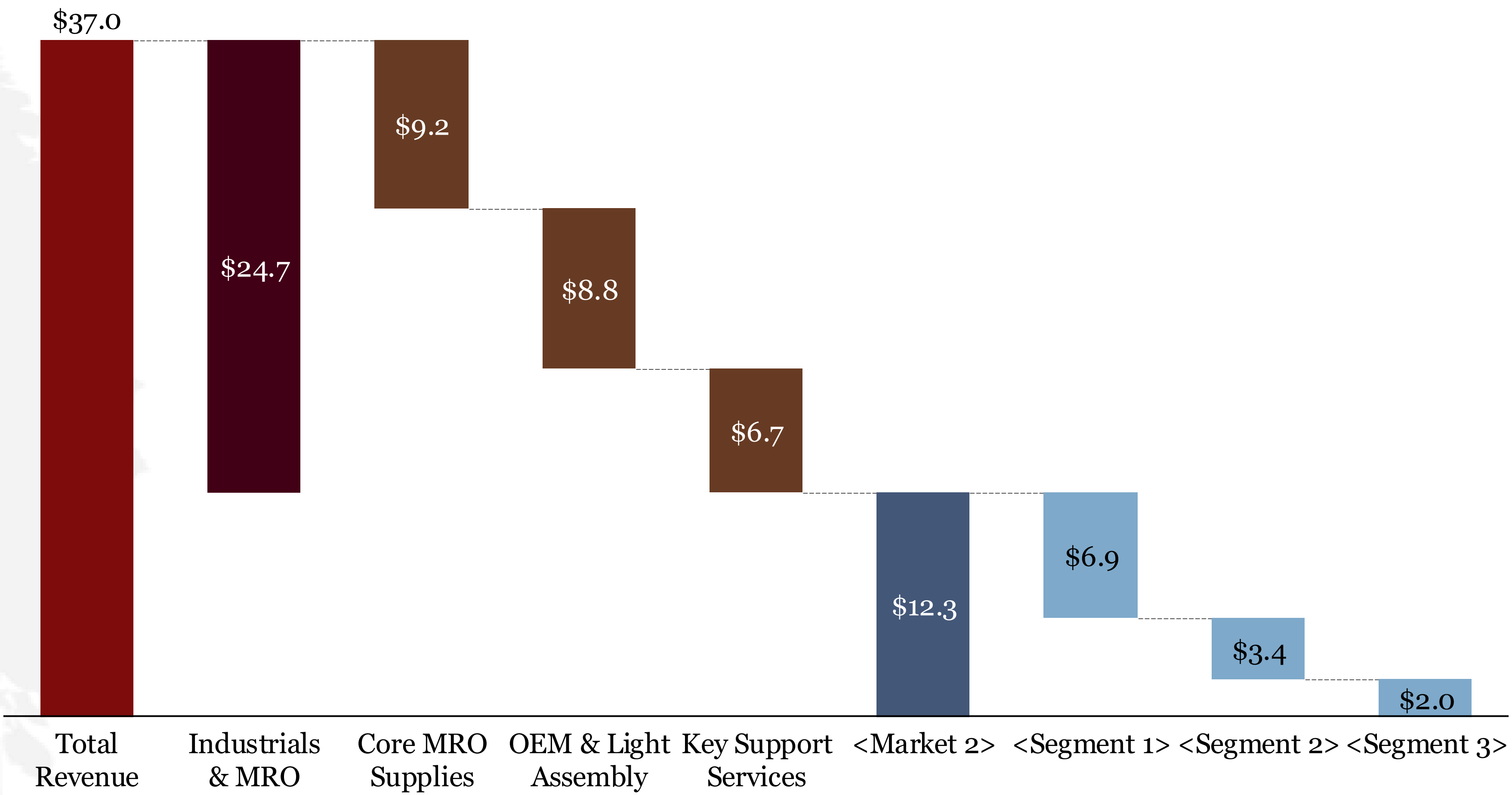
Team estimates size of addressable market based on key factors
(e.g., relevant geos, supported products)



Full projects break down key elements of in-scope and out-of-scope options including full overview of current-state geos covered and product hierarchy

Addressable market is broken down by key segments

Estimated revenue by key segment ($Bs)



Core segments are reviewed to determine future opportunity areas

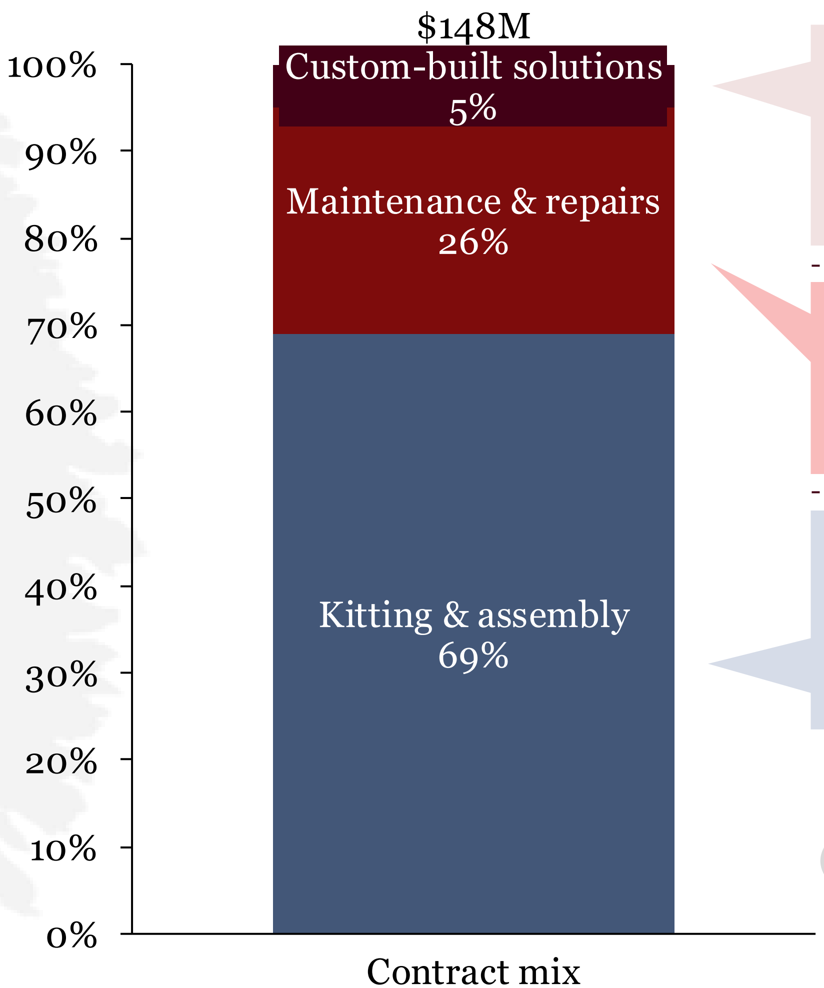
	Market 1: Industrial & MRO		
	Core MRO Supplies	**OEM & Light Assembly**	**Key Support Services**
% of market	~37%	~36%	~27%
Growth outlook	→	↑	→
Primary drivers	• Ongoing maintenance requirements • SKU proliferation and procurement complexity • Cost control pressures on maintenance budgets		
Trends	• Vendor consolidation • Increased demand for inventory management solutions • Procurement digitization		

Team identifies drivers and trends for all key segments to help flesh out high-level view of expected growth and key market forces for each identified segment

REDWOOD ADVISORS

Team runs deep-dive on key opportunity areas (e.g., value-add services)

Spend by service category



Category description	Projected growth
• Customized solution designed in partnership with a high-priority strategic account	• ~18-20%+
• Make routine adjustments and fixes for key pieces of equipment	• ~12-15%+
• Individual parts packaged together or pre-assembled to ship together to the customer	• ~9-11%+

Value-add services are usually prioritized for deep dives given the difference in delivery model with core product sales

Agenda

Diligence Approach & Overview

Market Sizing & Analysis

Competitive Positioning

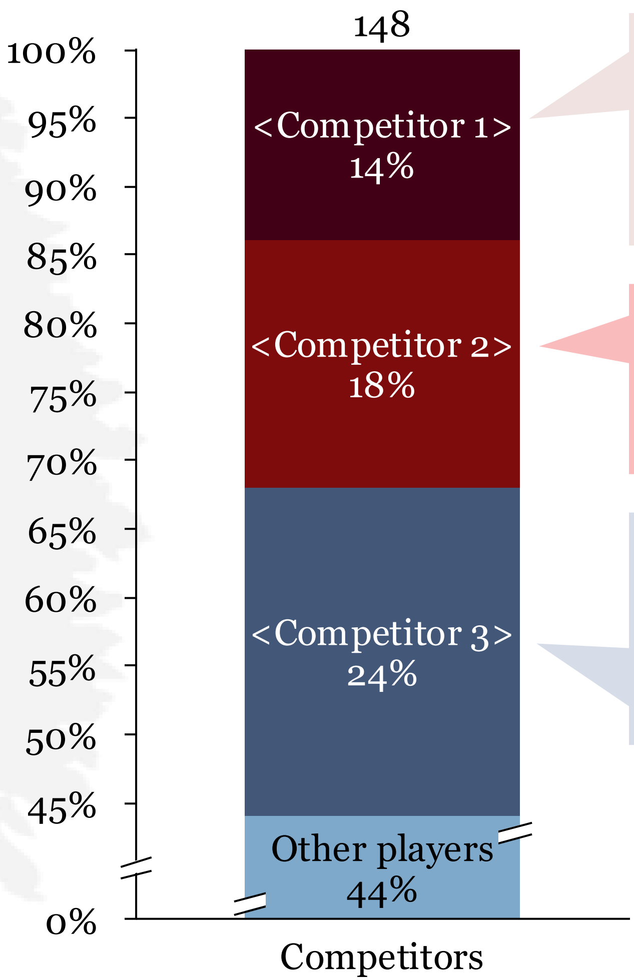
Current State Business Overview

Commercial Org Overview

Illustrative example

Key competitors are reviewed to understand competitive advantage for each one

Market competitive landscape

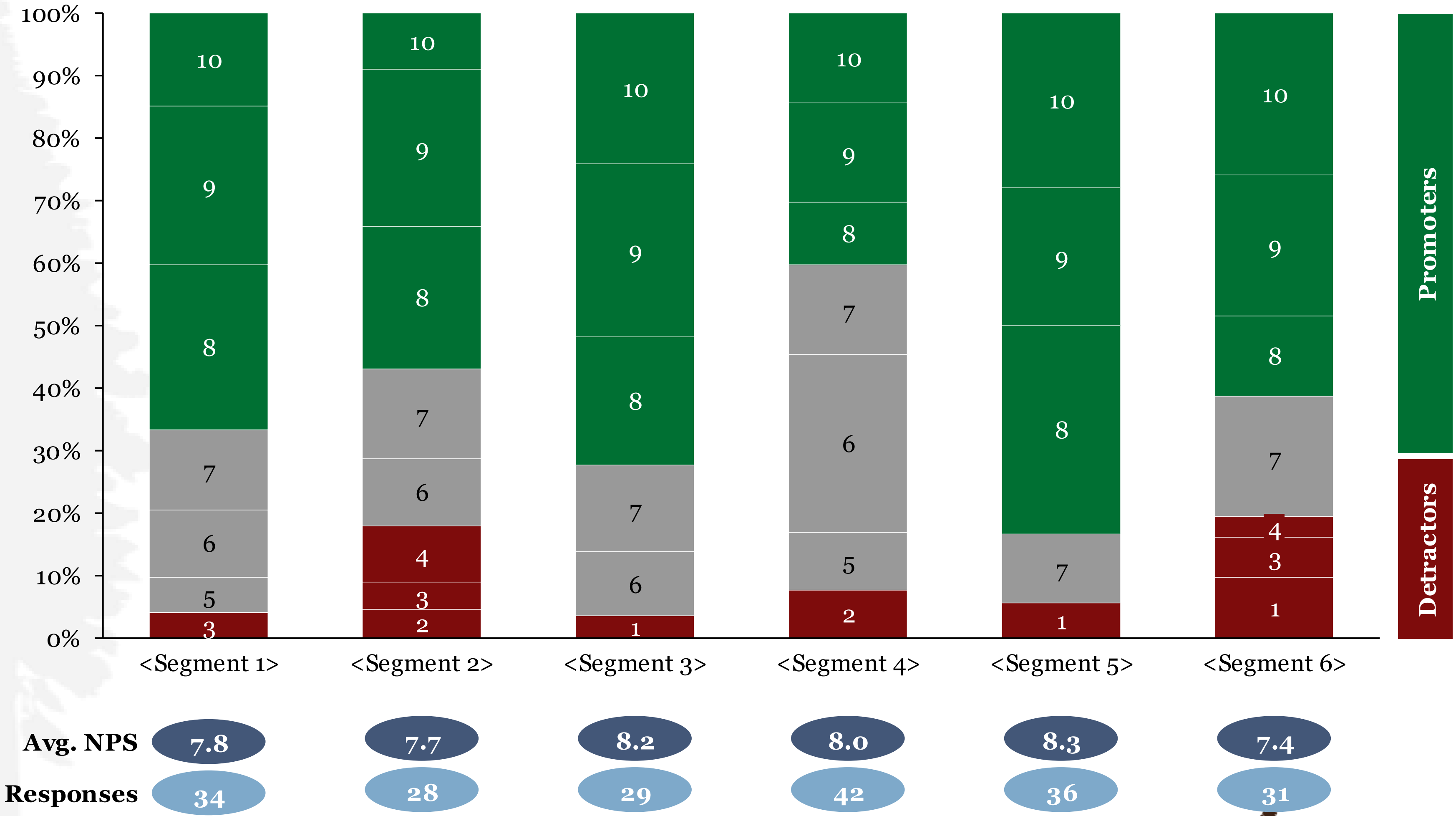


Logo	Competitor overview
IronGate	• Regional full-line distributor with strong presence in core MRO supplies and a reputation for reliability and local inventory availability
VectorFlow	• Tech-enabled distributor emphasizing digital ordering, inventory visibility, and data-driven replenishment; strong VMI programs
SUMMIT	• Higher-touch provider focused on engineered solutions, light assembly, and customized service offerings; differentiates through technical expertise and value-added services

Team identifies the top 3-5 competitors to develop deep-dives on as helpful

Team conducts NPS assessments to collect commentary from promoters and detractors

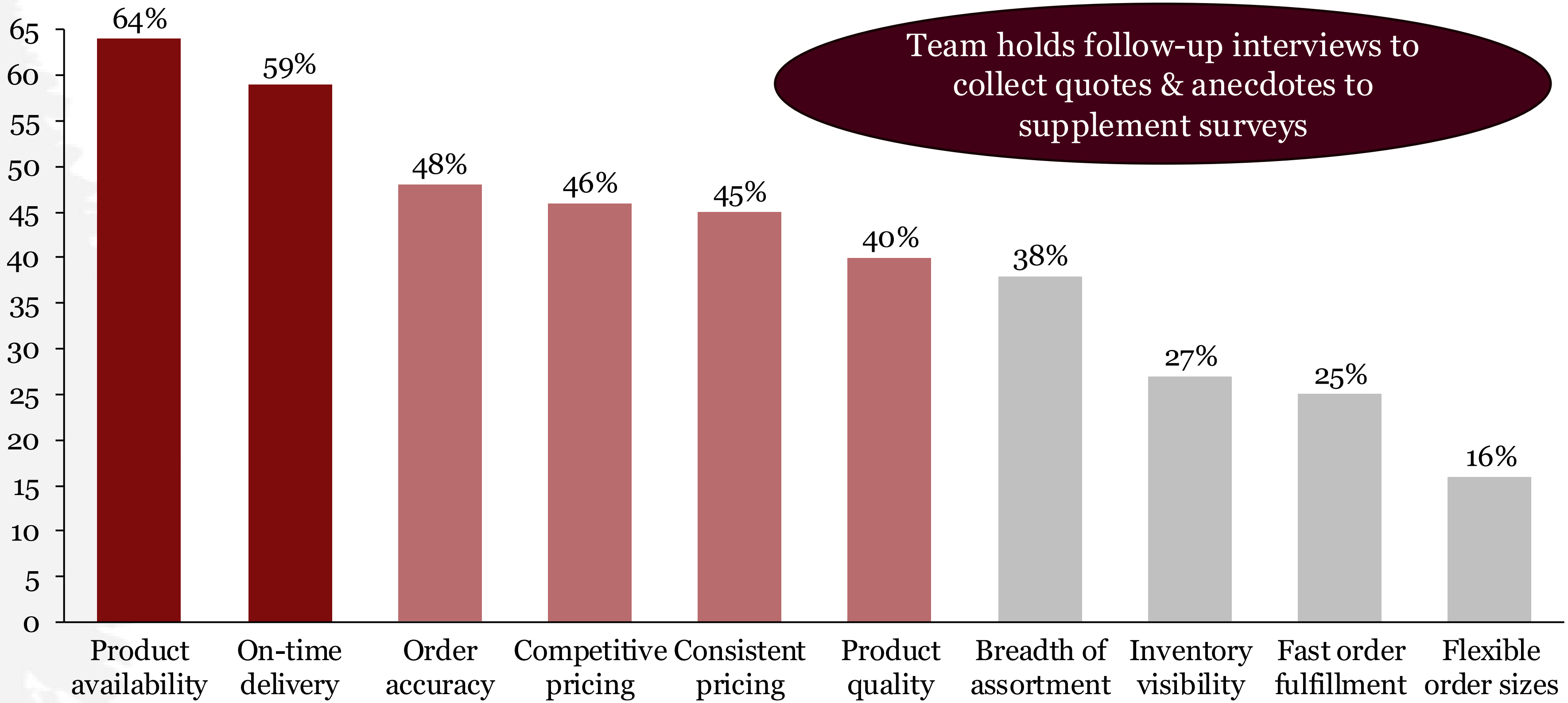
NPS survey results by customer segment



REDWOOD ADVISORS

Existing and previous customers were surveyed to identify what elements are most important to customer satisfaction

Elements marked "important" by surveyed customers *(% customers)*

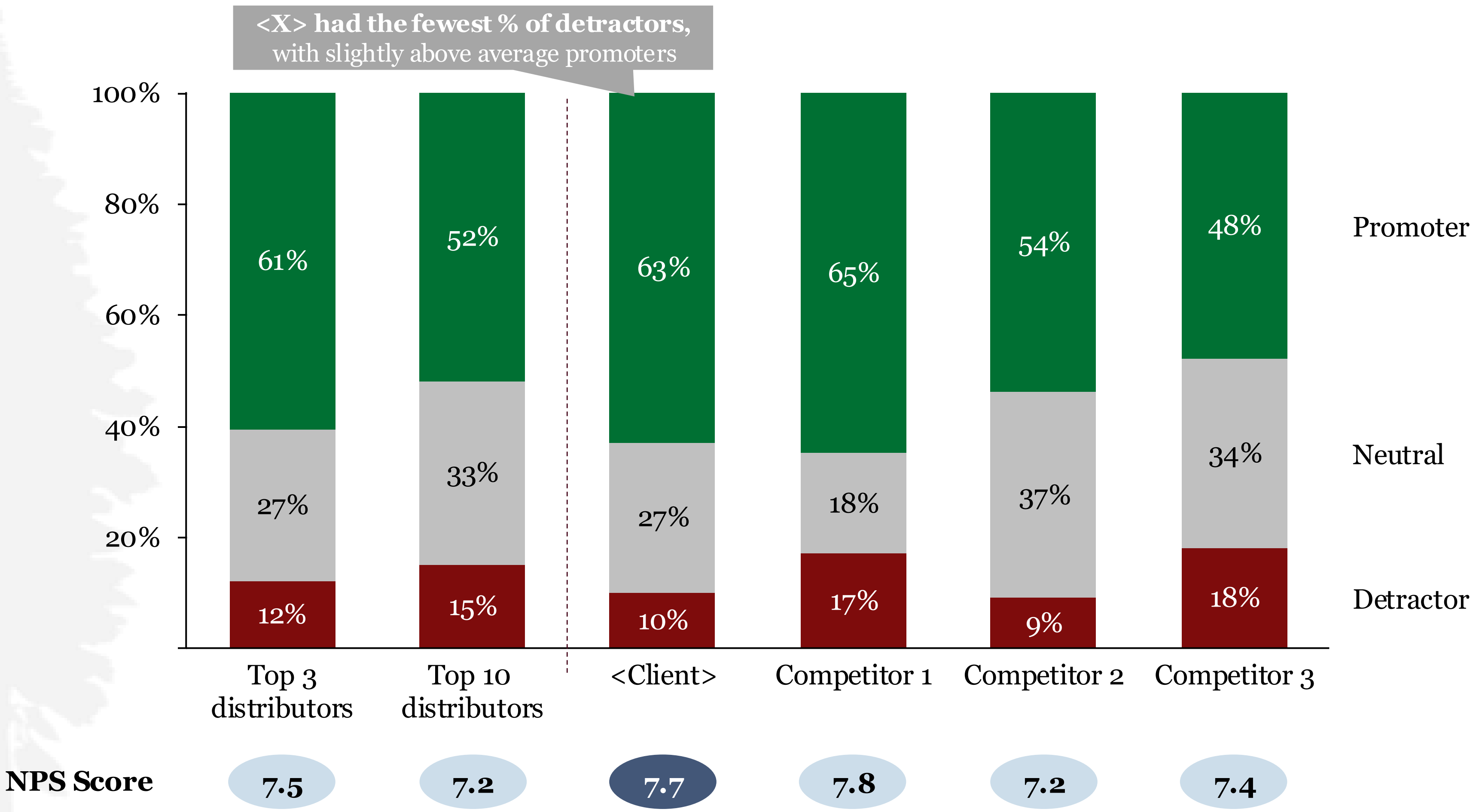


Team holds follow-up interviews to collect quotes & anecdotes to supplement surveys

~64% of customers ranked product availability as an important factor for overall satisfaction with their chosen distributor

For in-depth diligences in highly competitive markets, team may also compare overall NPS with top competitors

Average customer response to "How likely are you to recommend this distributor?"



Agenda

Diligence Approach & Overview

Market Sizing & Analysis

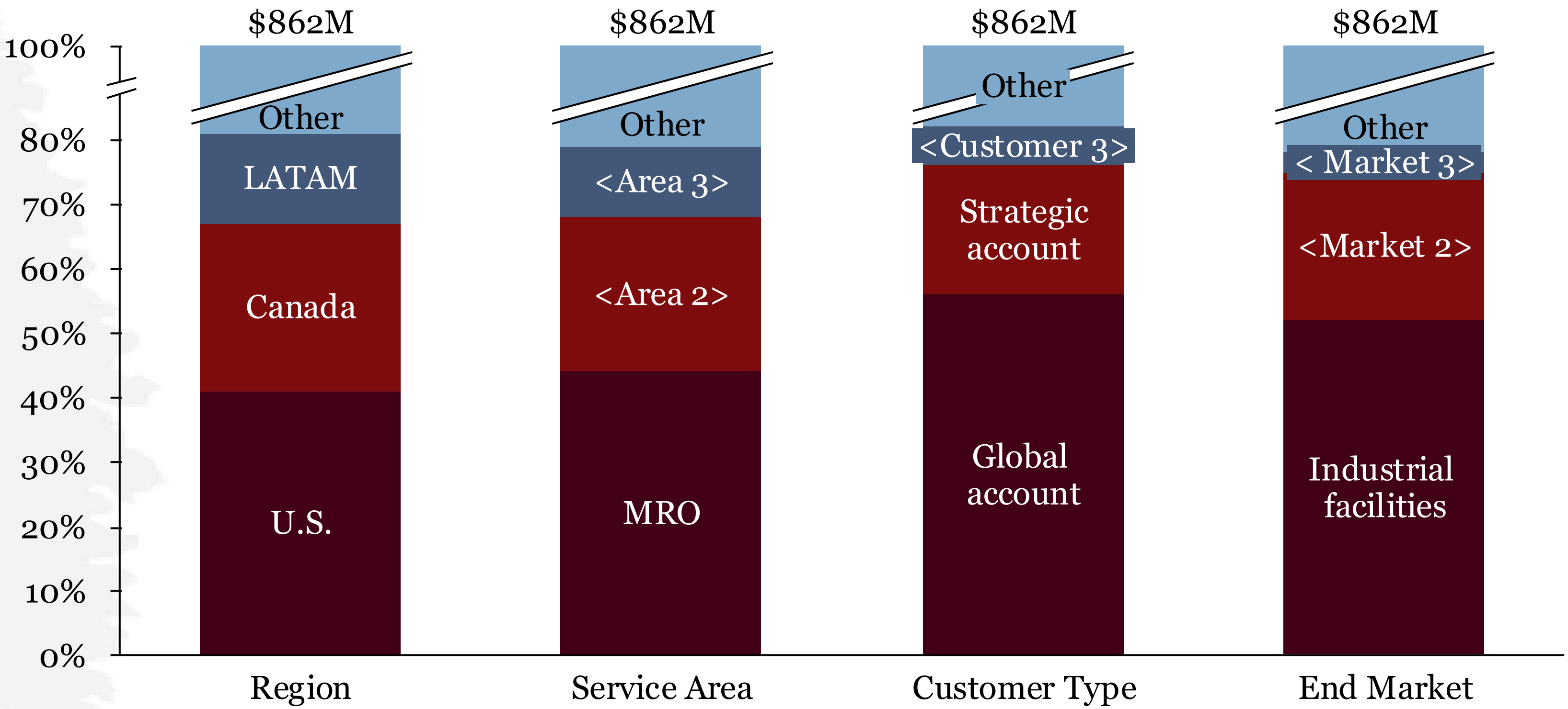
Competitive Positioning

Current State Business Overview

Commercial Org Overview

Overall market is broken down by key dimensions (e.g., region, service area, customer type, end market)

Revenue breakdown by key dimension (%)

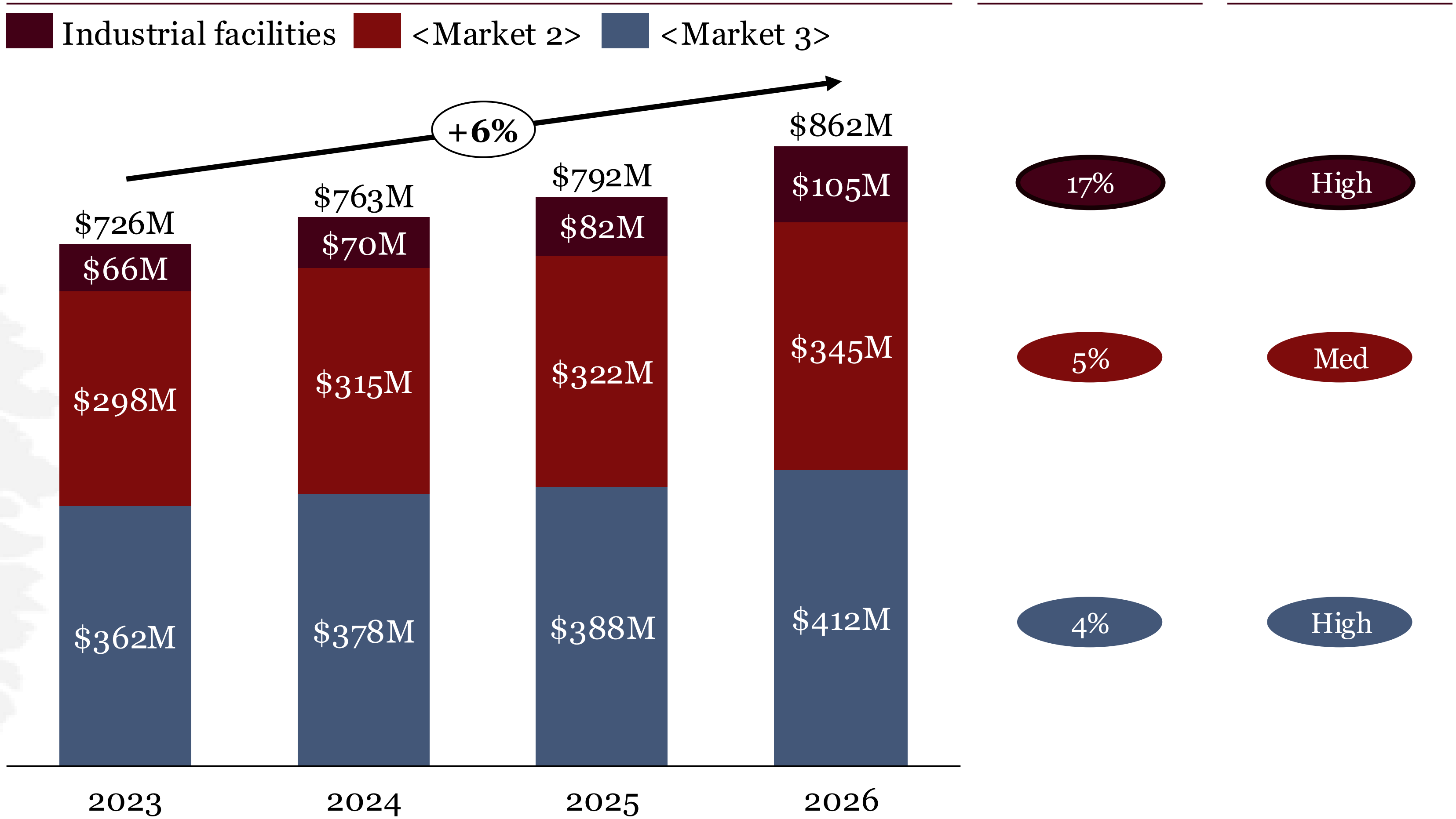


Team overviews all key buckets within each dimension representing 5%+ of customers

REDWOOD ADVISORS

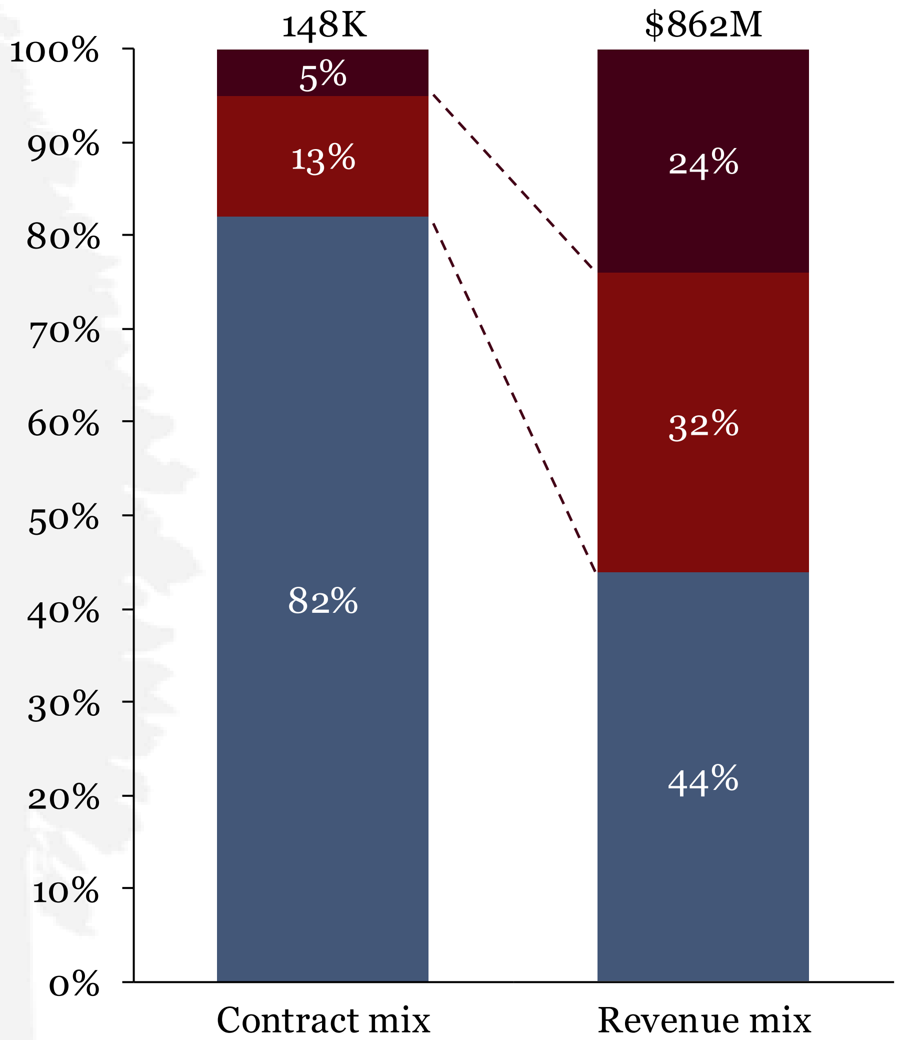
Team breaks down historic growth across key dimensions of the business: End market example

Annual revenue by segment ($Ms) | **CAGR** | **Est. market growth**



Key segments are analyzed to understand what groups are bringing in significant revenue

Sales mix by contract size



Strategic accounts

- **~24% of <Client’s> overall revenue**
- Average **annual install spend**:
  - ~$170K for >$500K contracts

Large customers

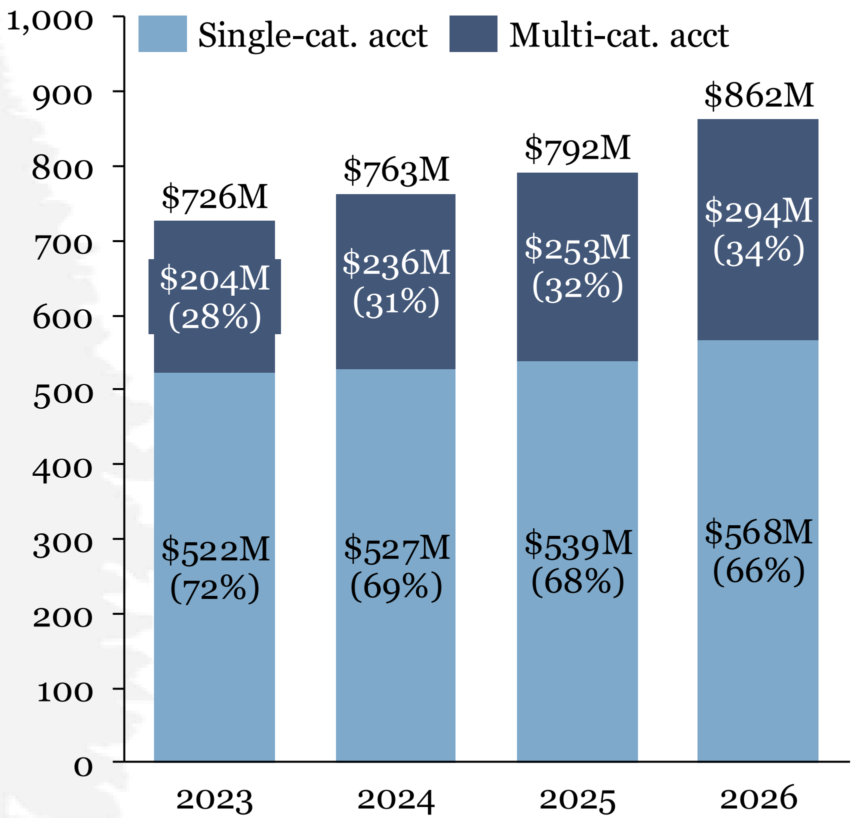
- **~32% of <Client’s> overall revenue** (vs estimated ~25% for overall market)
- **~19K contracts** (13% of contracts)
- Average **annual install spend**:
  - ~$90K for $100-250K contracts
  - ~$140K for $250-500K contracts

Small customers

- **~44% of <Client’s> overall revenue** (vs estimated ~35% for overall market)
- **~120K contracts** (82% of contracts)
- Average **annual install spend**:
  - ~$10K for <$50K contracts
  - ~$60K for $50-100K contracts

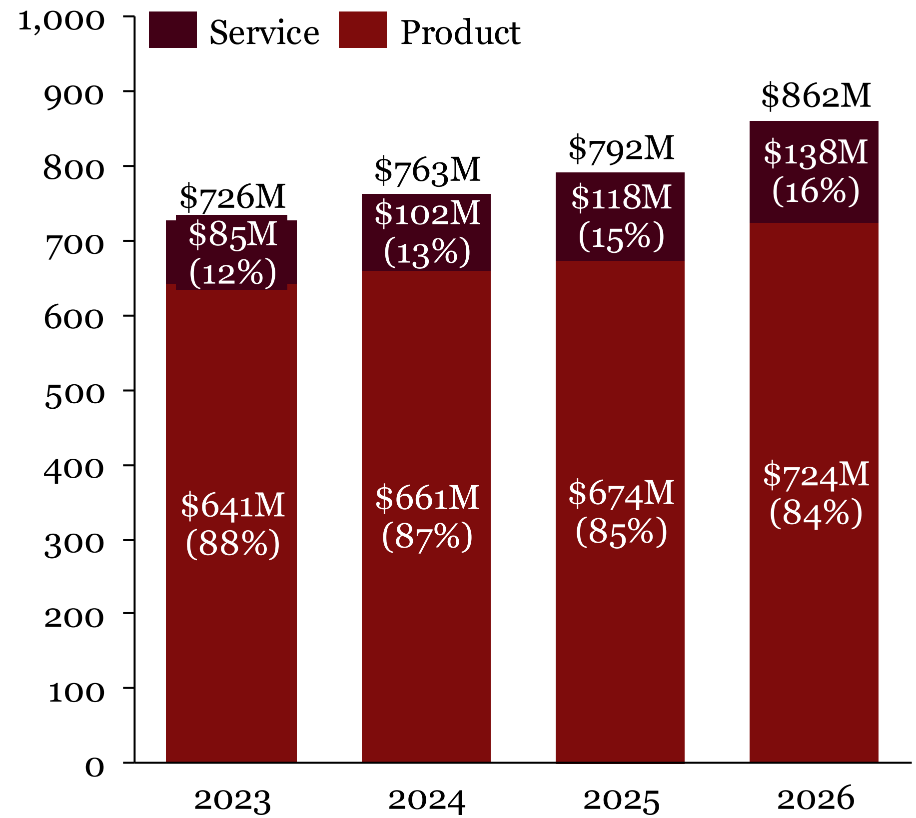
Growth from recent initiatives is summarized to assess effectiveness: Cross-sell and value-add services examples

Revenue from multi-category accounts



Key strategic goal to cross-sell different product categories to existing customers to expand footprint

Service vs product revenue



Key strategic goal to drive additional sales growth specifically for value-add services

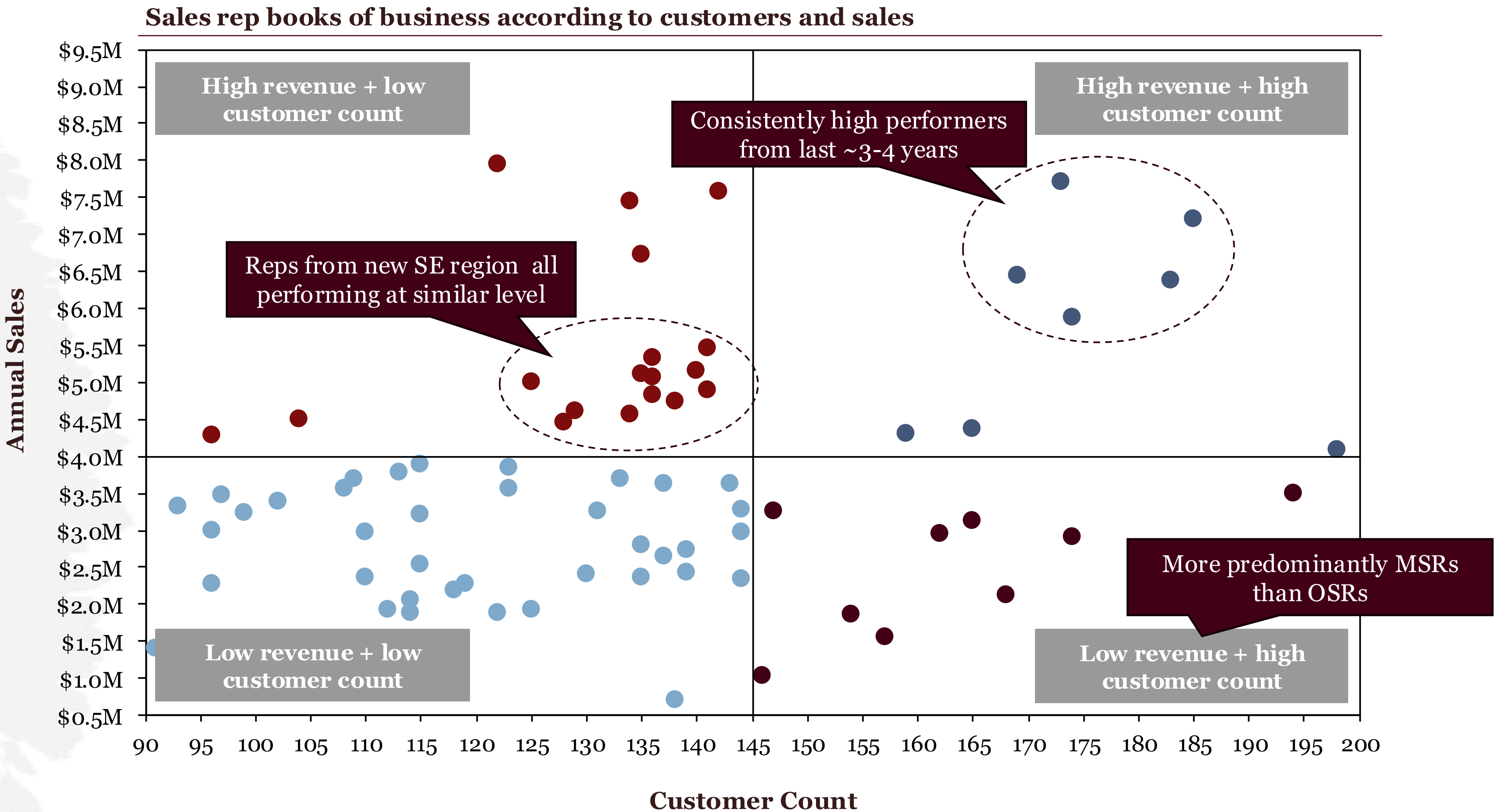
Key risks for the business are summarized and assessed for potential effects

Key risk	Overview	Impact	Likelihood	Velocity
Customer concentration risk	• A meaningful portion of revenue tied to a limited number of large accounts increases exposure to contract loss, pricing pressure, or insourcing			
Margin compression	• Increased competition and customer procurement sophistication may drive pricing pressure, particularly in commoditized MRO categories			
Execution risk in scaling services	• Expanding VMI, kitting, and onsite services requires operational coordination and investment; poor execution could erode margins or customer satisfaction			
Supply chain disruption	• Reliance on global suppliers and complex logistics networks creates risk of inventory shortages, delays, and increased costs.			

Top risks are highlighted for potential mitigation and next steps ahead of a transaction as helpful

Agenda

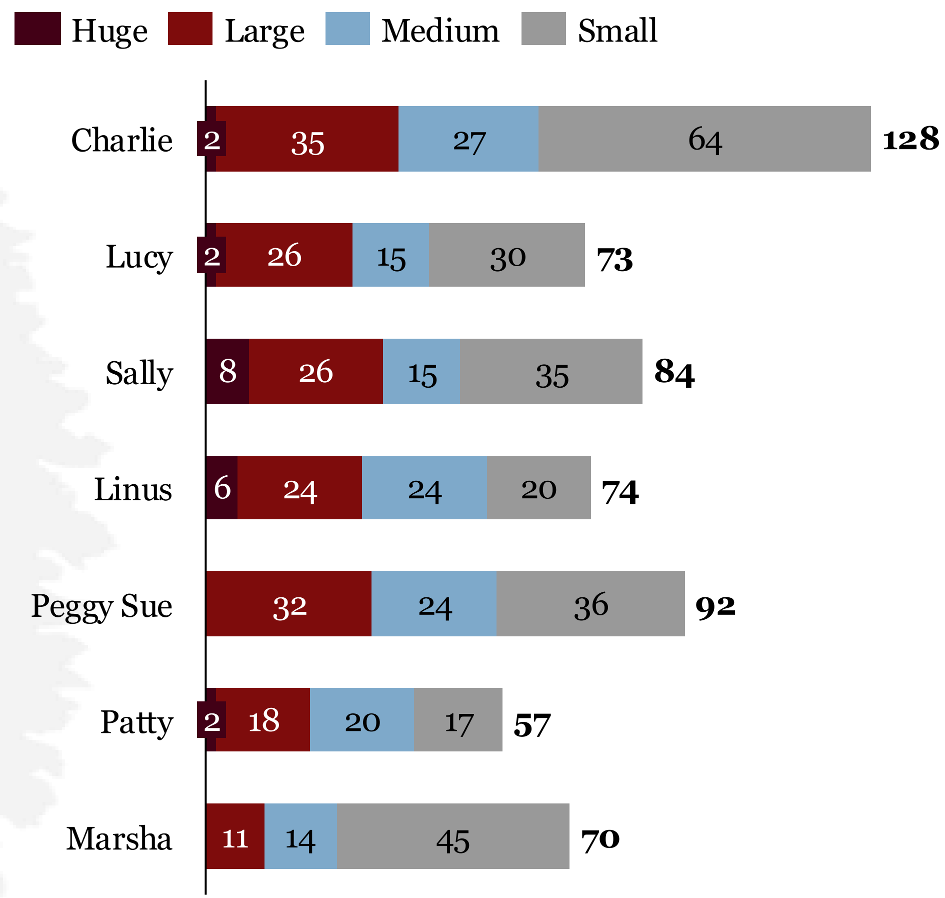
Books of business are analyzed and bucketed into 4 different categories based on total sales and customers served



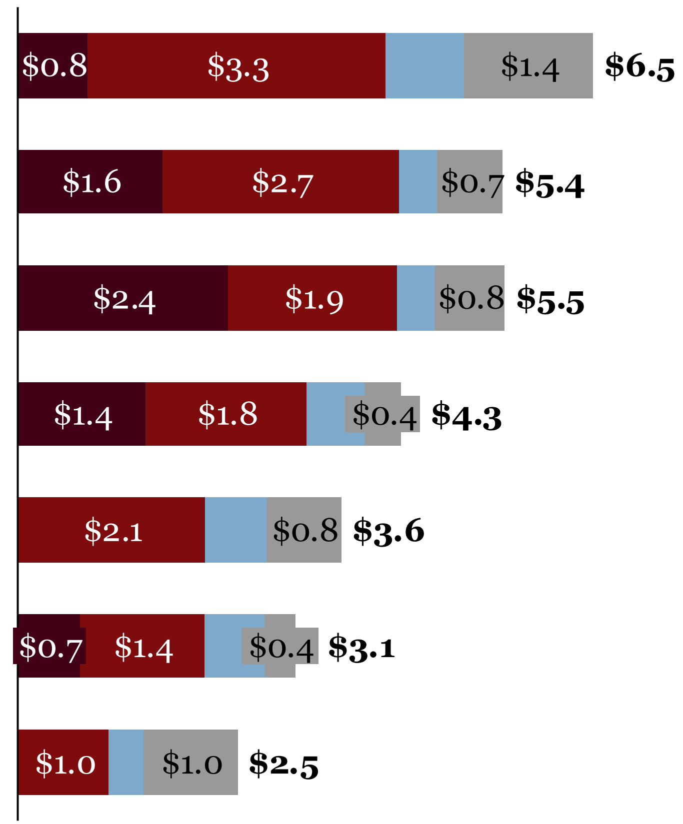
Analysis sorts sales reps into 4 key archetypes to identify key opportunity areas

Top performing Sales Reps are further assessed to identify top revenue-generating customer segments

Assigned accounts in 20XX

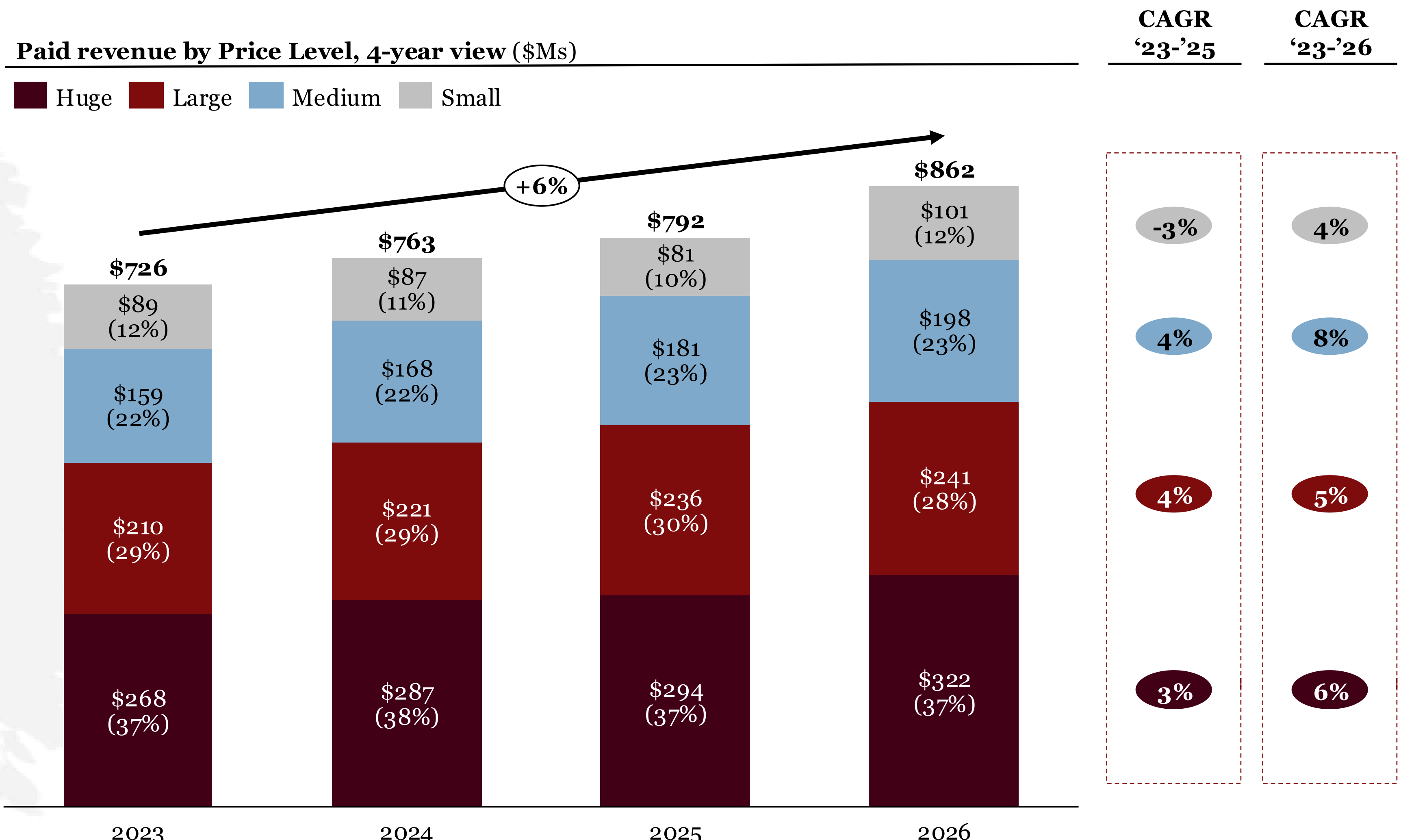


Paid sales revenue in 20XX ($Ms)



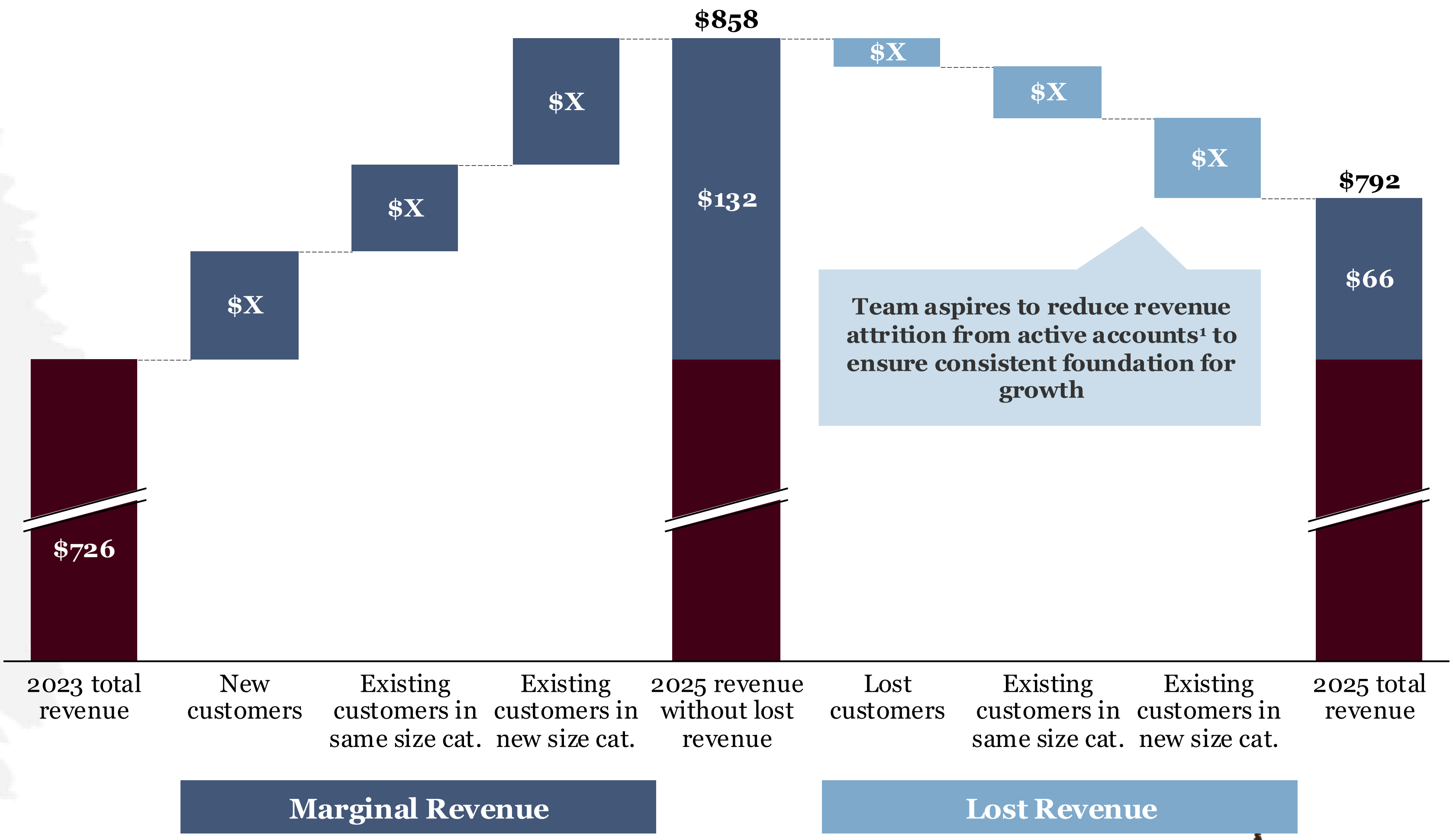
REDWOOD ADVISORS

Team puts together overview of current-state performance by existing segments



In-depth retention analysis helps lay out lost revenue from existing customers

Change in revenue per category from 2023 to 2025 ($Ms)



Note: 1) Active accounts defined as an account generating revenue in the last 3 years

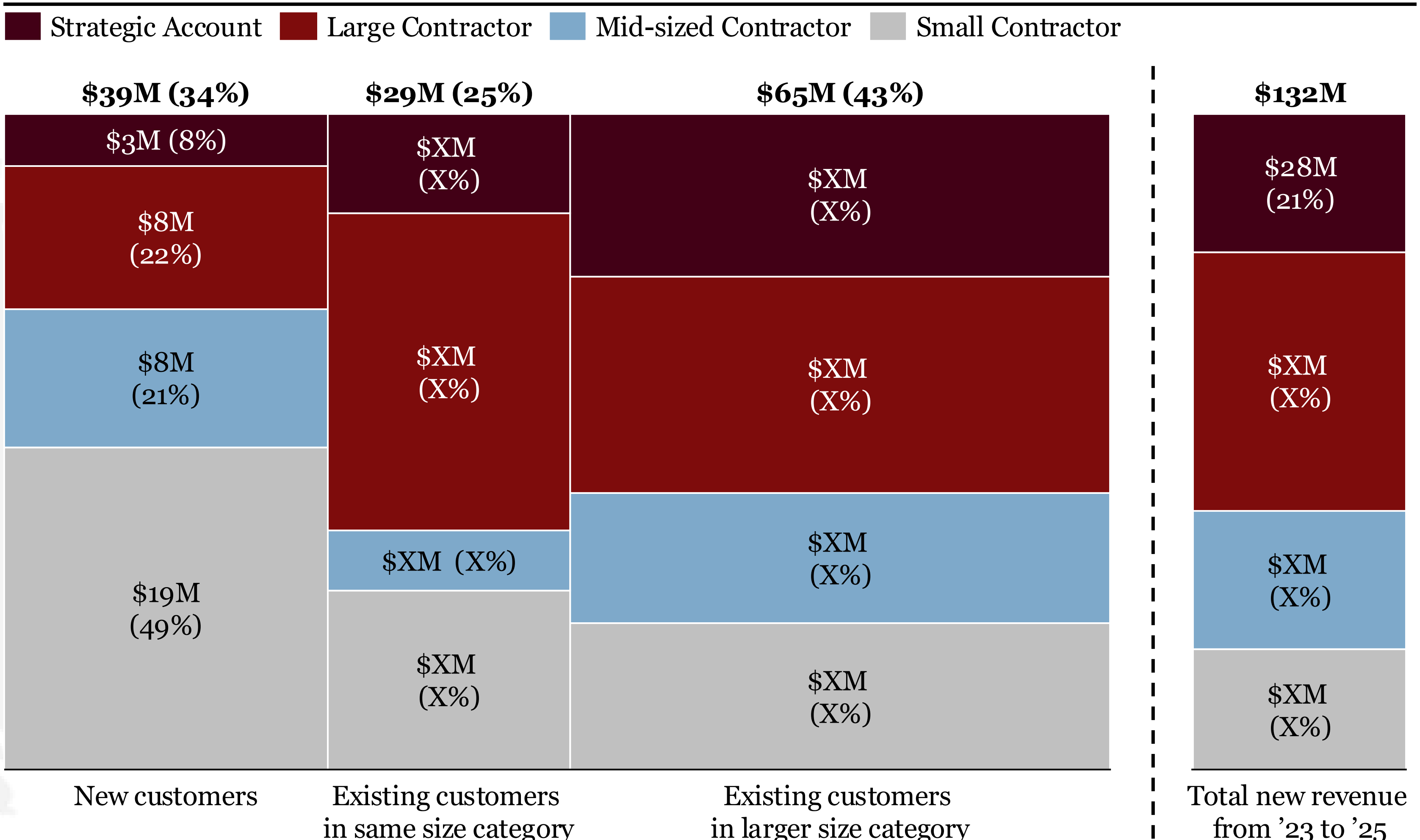
As helpful, team lays out refined customer segmentation models enable consistent analysis across key dimensions (e.g., geos, time period)

Size Category	Revenue Range	Overview
Strategic Account	***$500,000+*** *in annual paid revenue*	• Dominant players in local markets OR large multi-state (if not national) business • 20+ 2-5 person crews w/ 3-6+ potential decision makers (executives & category directors) who purchase across 3+ product categories
Large Account	***$100,000-$499,999*** *in annual paid revenue*	• Large players in local markets • 10+ 2-5 person crews w/ 2-4+ decision makers who purchase across 2+ product categories
Mid-sized Account	***$50,000-$99,999*** *in annual paid revenue*	• Relatively established large player in local markets • 2-3+ 2-5 person crews with 1-3+ decision makers who purchase across 1-2+ product categories
Small Account	***$0-$49,999*** *in annual paid revenue*	• Relatively new players in a local market • 1-2+ crews with 1+ decision makers who purchase across 1-2+ product categories

RWA conducts analyses on current customer base using future-state segmentation

New revenue broken down by future-state segments

New revenue per category & updated customer size from 2023 to 2025 ($Ms)



REDWOOD ADVISORS

Team breaks down key growth areas across the proposed segments

Size Category	2023 Revenue	2023 # of customers	2025 Revenue	2025 # of customers	Revenue Change (%)	# of Customer Change (%)	% of total net revenue growth
Strategic Account	$49.5M	63	$107M	140	$58M (116%)	78 (125%)	**63%**
Large Account	$272M	1443	$285M	1486	$13M (5%)	43 (3%)	**21%**
Mid-sized Account	$XM	X	$XM	X	$XM (X%)	X (X%)	**X%**
Small Account	$XM	X	$XM	X	$XM (X%)	X (X%)	**X%**
Total	$XM	X	$XM	X	$XM (X%)	X (X%)	**X%**

Team highlights key insights from analysis and top opportunity areas

REDWOOD ADVISORS

Questions, follow-ups, or want to connect?
Reach **John Nantz** at
john.a.nantz@rwadvisors.com