

# Sell and Stay<sup>®</sup>

A Versatile Deal Structure



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FP TRANSITIONS<sup>®</sup>

# Current M&A Activity

- Transaction volume has not decreased
- Only one Q1 offer was withdrawn in March
- \$5.5M closed this week
- No changes in price
- Risk component of transactions is being modified
- Q2 pipeline looks strong with no withdrawn deals

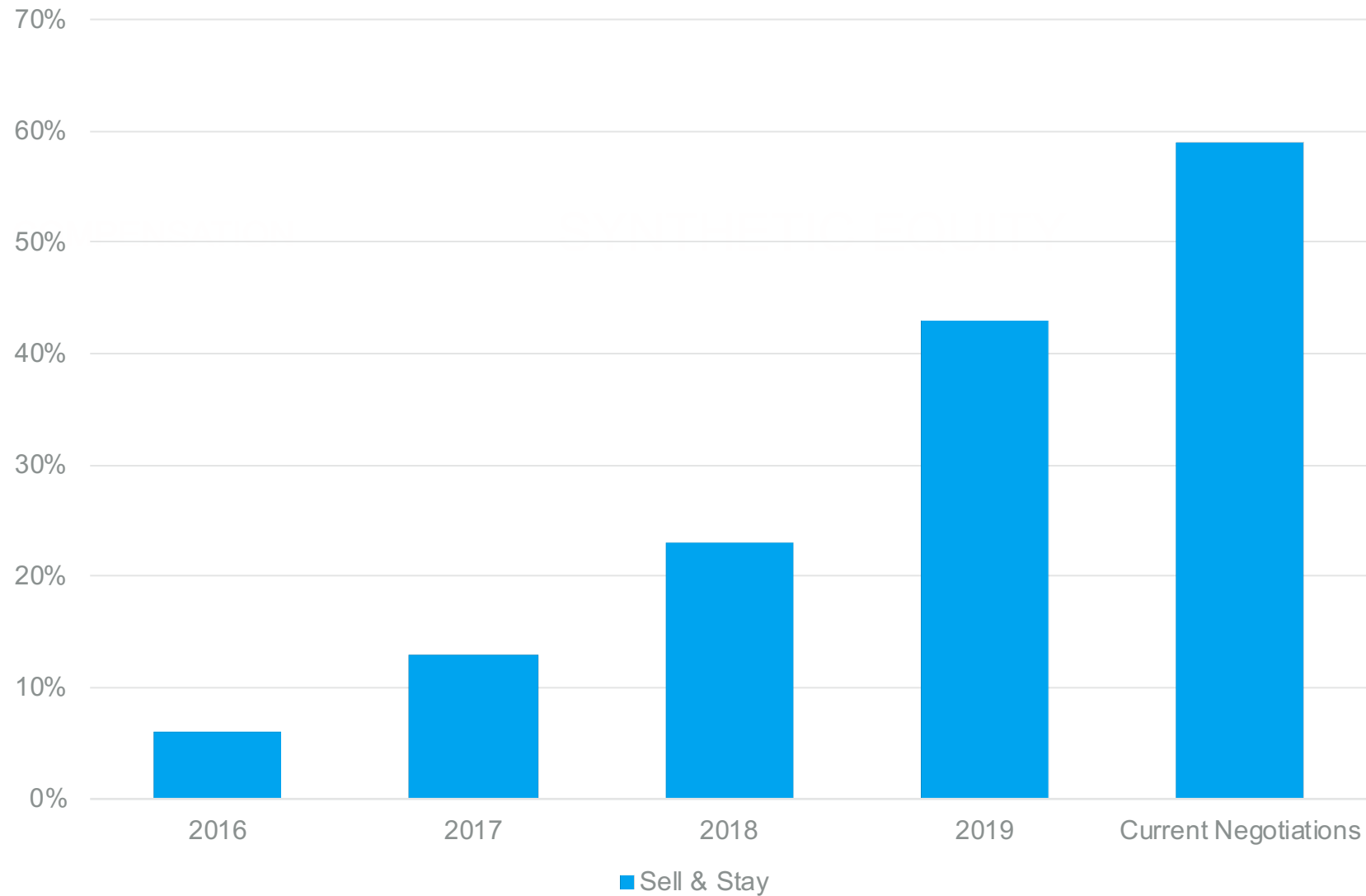
	<b>WHERE WE'VE BEEN</b>	<b>WHERE WE ARE</b>	<b>WHAT WE EXPECT</b>
	<b>Q4 2019</b>	<b>Q1 2020</b>	<b>Q2 2020</b>
<b>Number of Deals</b>	17	17	23
<b>Total Deal Volume</b>	\$20,025,540	\$22,968,387	\$35,057,000



# Advice for Sellers

- It's not too late!
- Don't wait. Recovery will be long and steady—growth is probably a year away.
- **Consider a Sell and Stay<sup>®</sup>; keep working but de-risk.**
- You have many options. Call us.

# Sell and Stay<sup>®</sup> Frequency





# Agenda

## Sell and Stay<sup>®</sup> Transition Strategy

- Introduction to the Sell and Stay<sup>®</sup>
- Benefits of a Sell and Stay<sup>®</sup>
- Execution of a Sell and Stay<sup>®</sup>
- Sample Sell and Stay<sup>®</sup> Transactions
- Q&A

# Life Post-Sale: Where do you envision yourself?



Sell and Exit



Sell and Stay<sup>®</sup>

# The M&A Spectrum



# Why Sell and Stay<sup>®</sup>?

Personal Motivators



## CONNECT

Family and community



## EXPLORE

New interests



## ENJOY

Personal time



# Common Issues for Retiring Entrepreneurs

## Traditional Sale

Personal wealth concentrated in business value

Truly enjoys working with clients and professional community

No viable internal succession options

Interest in more flexibility and better work-life balance

Desire for continued participation in future business growth

Little passion for operational functions and compliance tasks

- ✔ Business value de-risked
- ✘ Seller will leave the business within 12 months under most deal models
- ✔ Acquiring firm provides succession solution
- ✘ Steep rather than a gradual glidepath to retirement
- ✘ Seller typically has no ability to participate in future business growth
- ✔ Acquiring firm assumes operational and compliance duties

# Common Issues for Retiring Entrepreneurs

## Sell and Stay®

Personal wealth concentrated in business value

Truly enjoys working with clients and professional community

No viable internal succession options

Interest in more flexibility and better work-life balance

Desire for continued participation in future business growth

Little passion for operational functions and compliance tasks

- ✓ Business value de-risked
- ✓ Seller continues to serve clients and earn income
- ✓ Acquiring firm provides succession solution
- ✓ Support and scale of acquiring firm frees seller from managing the day-to-day
- ✓ Seller typically benefits from future business growth
- ✓ Acquiring firm assumes operational and compliance duties

# Benefits of a Sell and Stay<sup>®</sup> for Buyers

Client Continuity/  
Retention

Talent Acquisition

Institutional  
Knowledge

Turn-Key  
Practice/Office

Reduced Training  
Cost

Economies of Scale



# Executing a Sell and Stay<sup>®</sup>

The Roadmap to Success

## **PHASE 1**

Finding the Best Match

## **PHASE 2**

Completing the Deal

## **PHASE 3**

Transitioning/Merging Talent

# Executing a Sell and Stay®

## PHASE 1: Finding the Best Match

- Valuation
- Accessing traits of buyer
- Marketing (open vs. private)
- Vetting potential buyers
- Negotiate major deal terms
- Term sheet/LOI

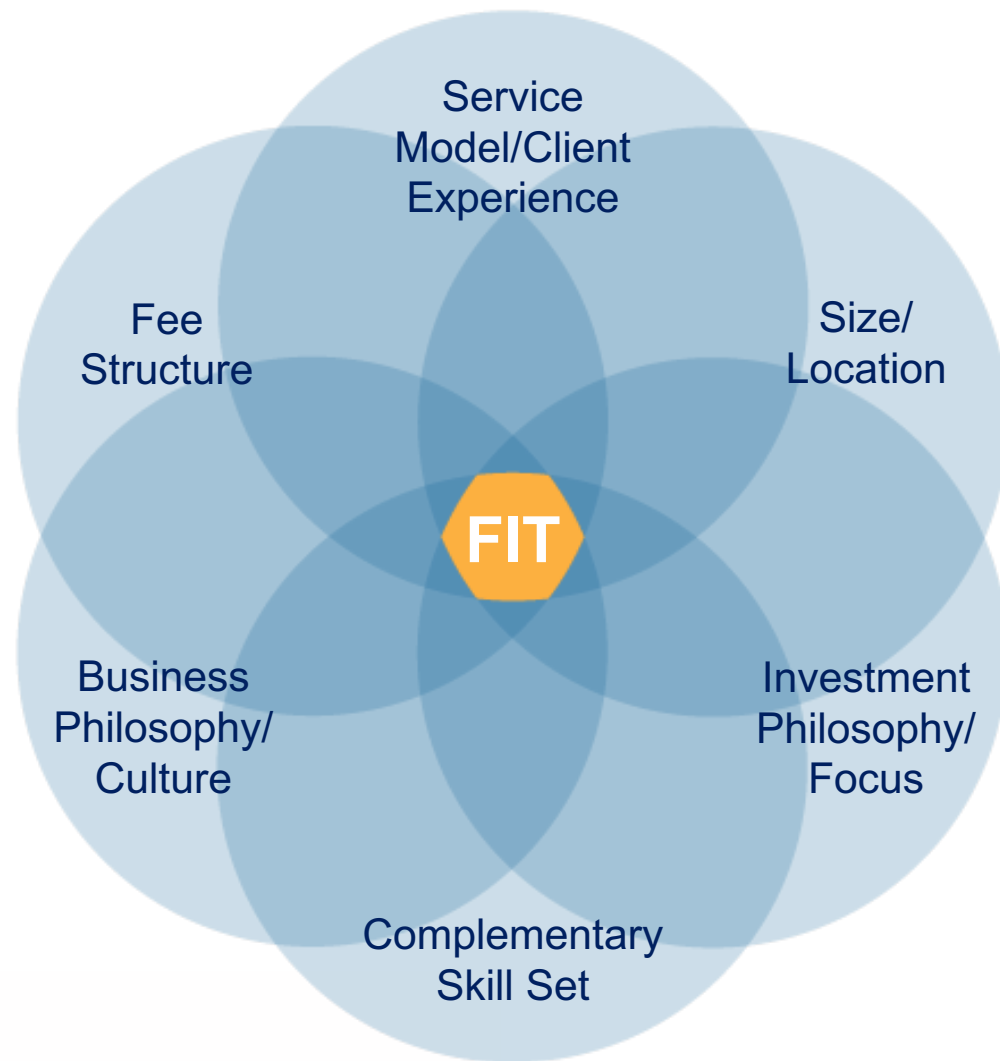
## PHASE 2: Completing the Deal

- Due diligence (a two-way street)
- Negotiate ancillary deal terms (non-competes, FFE, etc.)
- Deal documents (APA, employment contracts, etc.)
- Financing (seller or third-party)
- Closing

## PHASE 3: Transitioning/Merging Talent

- Announcement of the acquisition
- Onboarding new talent
- Client transition

# Assessing Traits of Buyer



# Sell and Stay<sup>®</sup> Deal Documents

**ACQUISITION  
DOCUMENTS**



**EMPLOYMENT  
AGREEMENT(S)**



# Sample Sell and Stay<sup>®</sup> Transactions

	SAMPLE 1	SAMPLE 2	SAMPLE 3
<b>FPT VALUATION</b>	\$5,200,000	\$3,200,000	\$3,000,000
<b>EBITDA</b>	\$750,000	\$450,000	\$430,000
<b>Purchase Price</b>	\$5,300,000	\$3,300,000	\$3,500,000
<b>Deal Terms</b>	<ul style="list-style-type: none"> <li>• 55% Cash at closing</li> <li>• 35% Cash at one year (subject to revenue targets)</li> <li>• 10% Cash based on additional performance targets</li> </ul>	<ul style="list-style-type: none"> <li>• 60% Cash at closing</li> <li>• 40% Cash at one year (subject to revenue targets equal to previous performance)</li> </ul>	<ul style="list-style-type: none"> <li>• 65% Cash at closing</li> <li>• 35% Seller note (no market risk)</li> </ul>
<b>+ Employment Package</b>	<ul style="list-style-type: none"> <li>• Sellers provided multi-year comp. packages with comparable benefits</li> <li>• G2 owner provided synthetic equity</li> <li>• Referral agreement (50% of revenue from referrals for two years)</li> <li>• Upside on tarmac assets</li> </ul>	<ul style="list-style-type: none"> <li>• Sellers provided comparable salaries and benefits</li> <li>• Salaries were guaranteed for two years</li> <li>• Bonuses based on performance</li> </ul>	<ul style="list-style-type: none"> <li>• G1: As-needed basis for a set per-hour rate</li> <li>• G2: Salary + synthetic equity</li> <li>• Referral agreement (50% of revenue from referrals for three years)</li> <li>• Upside on tarmac assets</li> </ul>





# Open-Forum Q&A

Follow-up questions:  
[questions@fptransitions.com](mailto:questions@fptransitions.com)



**Thank you for joining us!**

Visit [fptransitions.com](https://www.fptransitions.com) for more information  
or call 800.934.3303 for a consultation.