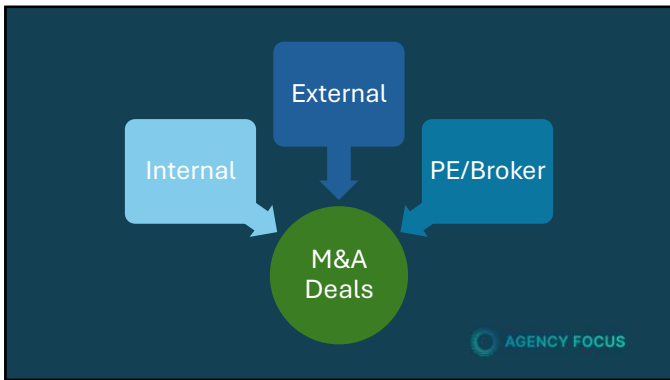




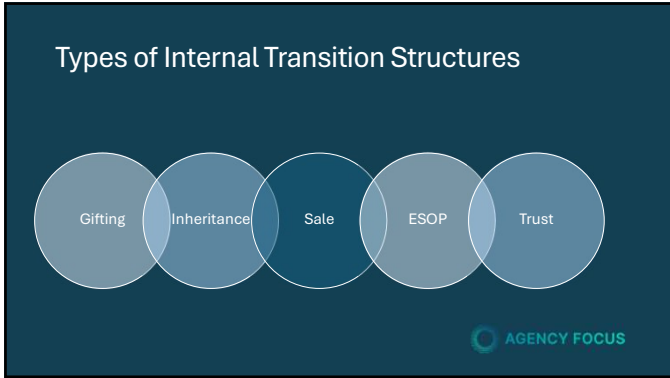
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Internal Deal Considerations

Pros	Cons
<ul style="list-style-type: none"> • Culture • Family • Legacy • Location Remains • Potential for less change • Customer Experience • Continuity 	<ul style="list-style-type: none"> • Lower Price • Talent & Ability • Cashflow & Funding • Expenses – two owners • Staff Turnover • Expectations & Lack of Advice • Timing challenges

5

Internal Example Owner Compensation

	Scenario A	Scenario B
Revenue	\$ 1,000,000	\$ 1,000,000
Profit	25%	25%
	\$ 250,000	\$ 250,000
Exiting Owner Salary	remains	\$ 150,000
Adjusted Profit	\$ 250,000	\$ 400,000
Price	\$ 2,000,000	\$ 2,000,000
Interest	4.50%	4.50%
Years	10	10
Annual Payment	\$ 248,732	\$ 248,732
75% Profit	\$ 187,500	\$ 300,000
Variance	\$ (61,232)	\$ 51,268

6

Common Considerations Internal Deal

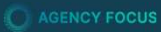
- Owner's Compensation
 - Benefits
 - Personal Expenses
 - Ongoing Compensation
- New Owner's Compensation
- Rent
- Building Expenses
- Hiring Needs



7

External Deals

- Agency
- Within Network
- Merger between entities
- Cash Downpayment
- Bank Loan is involved



8

External Deal Considerations

Pros

- Higher Price
- Economies of Scale
- Synergies realized
- More robust infrastructure
- Expanded markets
- Resources
- Talent

Cons

- Change
- Cultural Fit
- Staff
- Retention
- Loss of connection
- Working for a different entity



9



10



11

External Example Synergies


	Buyer 1	Buyer 2
Starting EBITDA	\$ 300,000	\$ 300,000
Synergies		
Location	\$ (30,000)	\$ -
Staff	\$ 45,000	\$ -
Benefits	\$ 10,000	\$ (15,000)
Technology	\$ (20,000)	\$ (20,000)
Carrier	\$ (50,000)	\$ (25,000)
Insurance	\$ (12,000)	\$ (12,000)
	\$ (57,000)	\$ (72,000)
Adjusted EBITDA	\$ 357,000	\$ 372,000

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12

PE Backed & Broker Deals

- Target size, niche, market
- Tuck-in
- Cash, Stock, Earnout



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13

Established National Acquirors	Emerging Private Equity Brokers
Publicly-Traded Brokers 	
Private Equity-Backed Brokers 	

14

PE Backed Buyers & Brokers

Pros	Cons
<ul style="list-style-type: none"> • Higher Price • Stock & Earnout • Double Exit • Potential Synergies • Markets & Programs • Resources & Services • Growth Culture 	<ul style="list-style-type: none"> • Cultural Change • Performance Metrics • Expectations • More Structured • Loss of Control • Working for someone else

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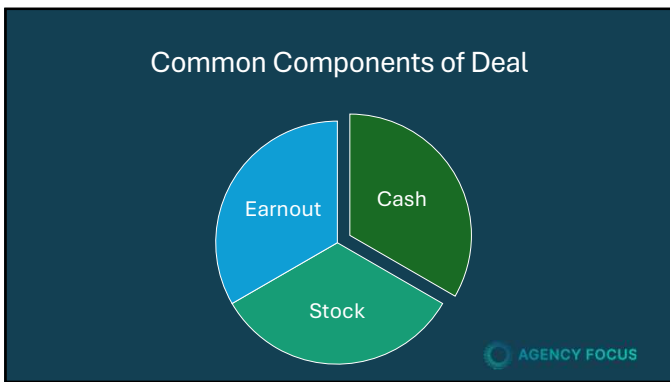
15

	Scenario A	Scenario B
Revenue	\$ 1,000,000	\$ 1,000,000
EBITDA %	30%	30%
EBITDA	\$ 300,000	\$ 300,000
Owner Salary Included	\$ 150,000	\$ 150,000
Adjusted Salary	\$ 50,000	\$ 100,000
Adjustment to EBITDA	\$ 100,000	\$ 50,000
New EBITDA	\$ 400,000	\$ 350,000
Multiple	12x	12x
Original	\$ 3,600,000	\$ 3,600,000
Adjusted	\$ 4,800,000	\$ 4,200,000
Variance	\$ 1,200,000	\$ 600,000

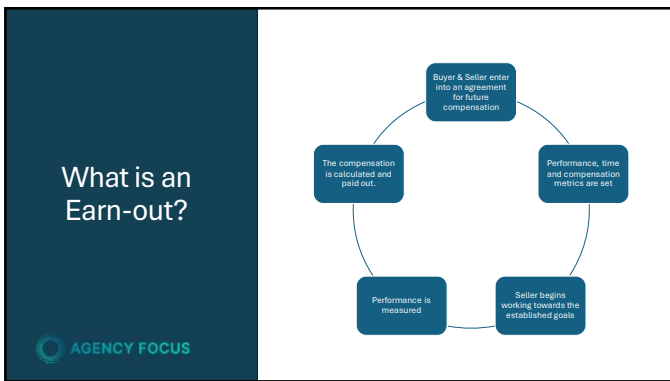
External Deal Structures



16



17



18

Common Earnout Metrics

- Retention
- Growth
- Profitability



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19

Earnout Examples

Cash	Stock	Earnout	Terms
50%	50%	2.0x	5% growth and maintain 30% EBITDA
65%	35%	2.5x	90% retention and achieve 30% EBITDA over next 12 months
80%	20%	2.0x	Maintain 95% revenue retention
90%	0%	2.0x	5% paid at the end of year 1 & 2 if key accounts are retained Additional earnout eligible for 3% growth in revenue years 1 & 2

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20

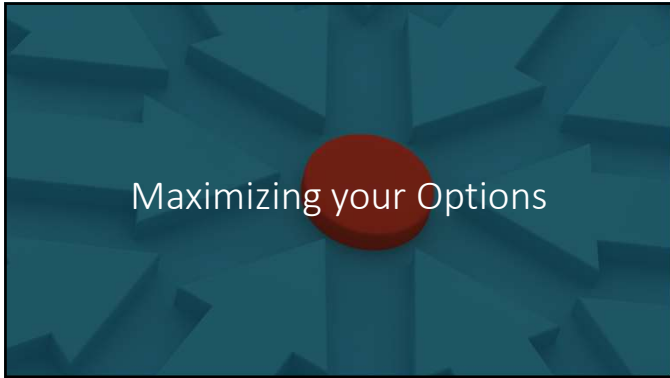
Stock Considerations

- Past Performance
- Acquisition Strategy
- Vesting Schedule
- Blackout Dates
- Personal Timing
- Risk Tolerance

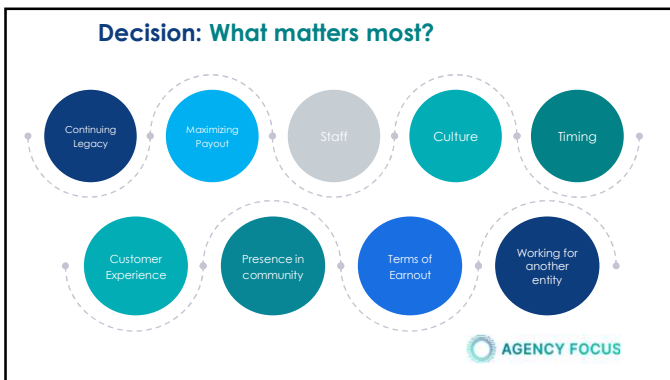


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21



22



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24



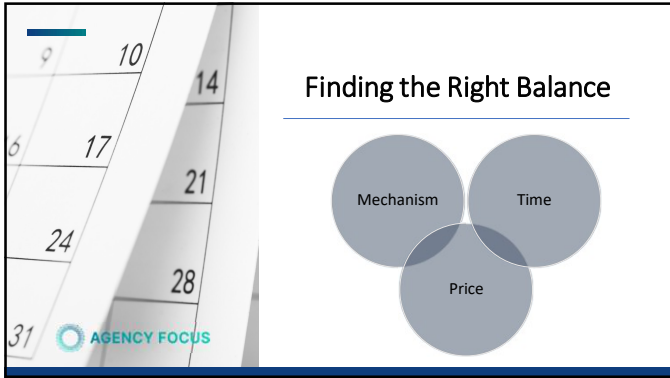
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29
