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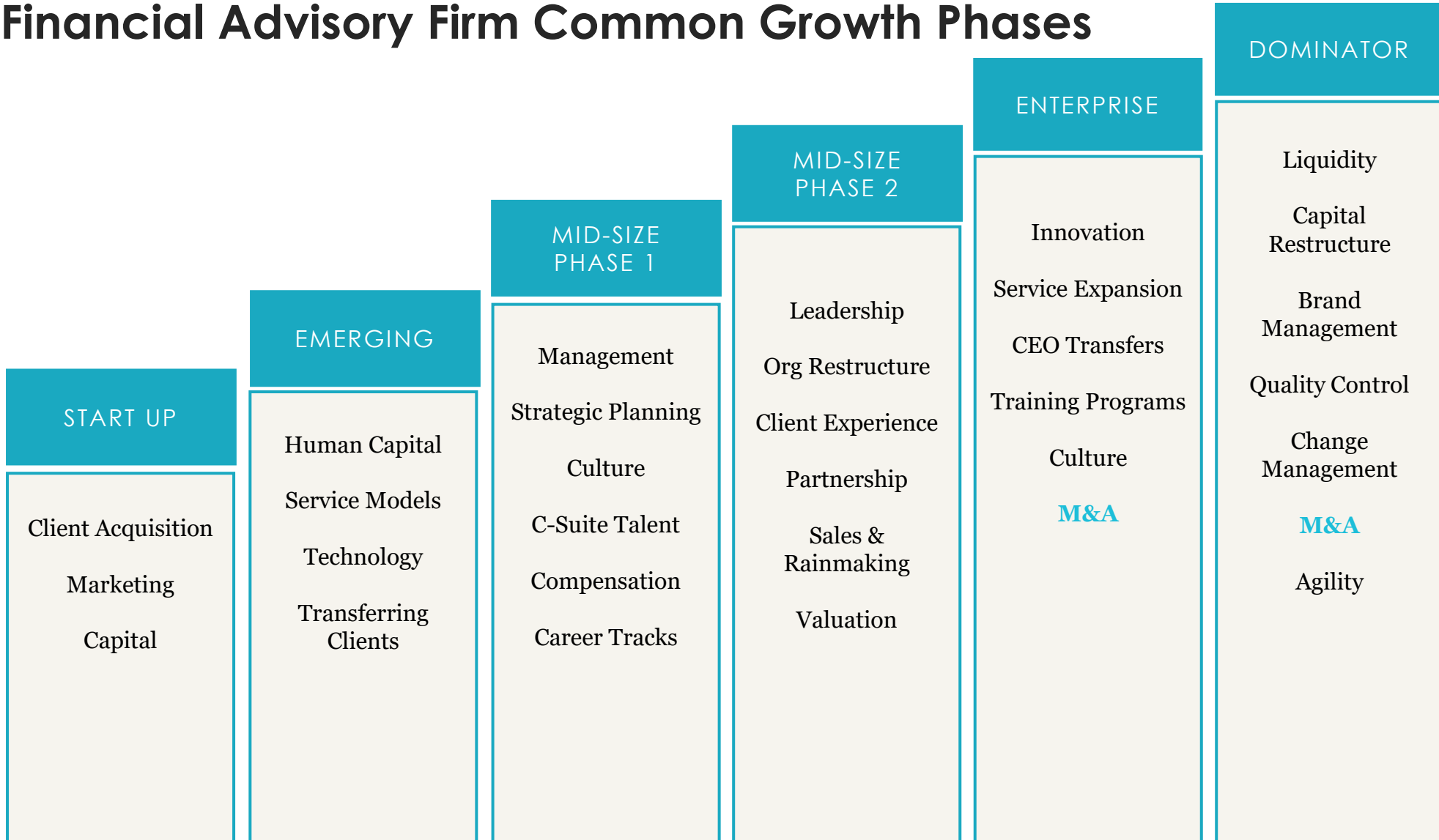
Buy, Sell...or Don't: M&A Lessons from All Sides of the Table





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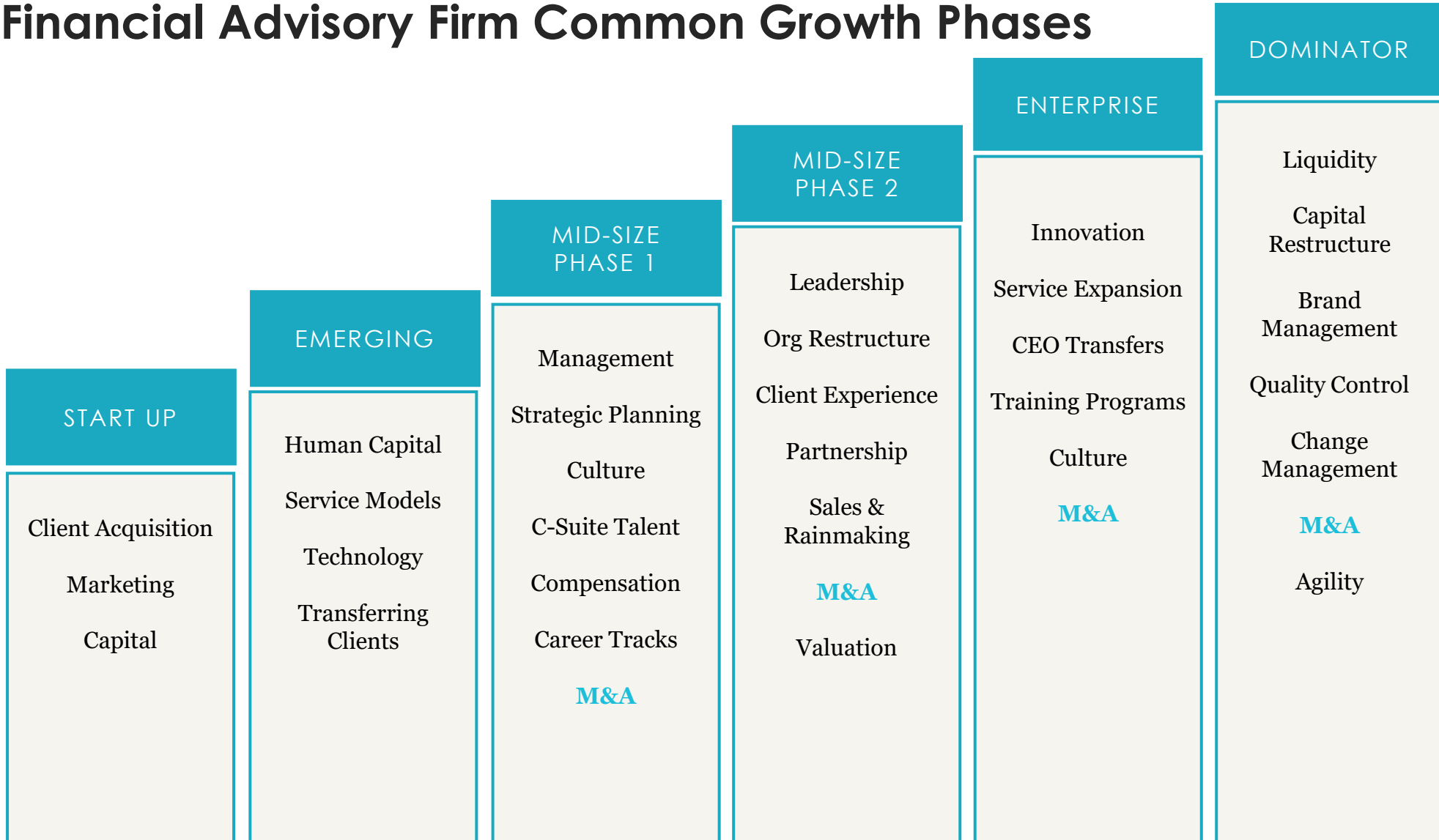
Financial Advisory Firm Common Growth Phases





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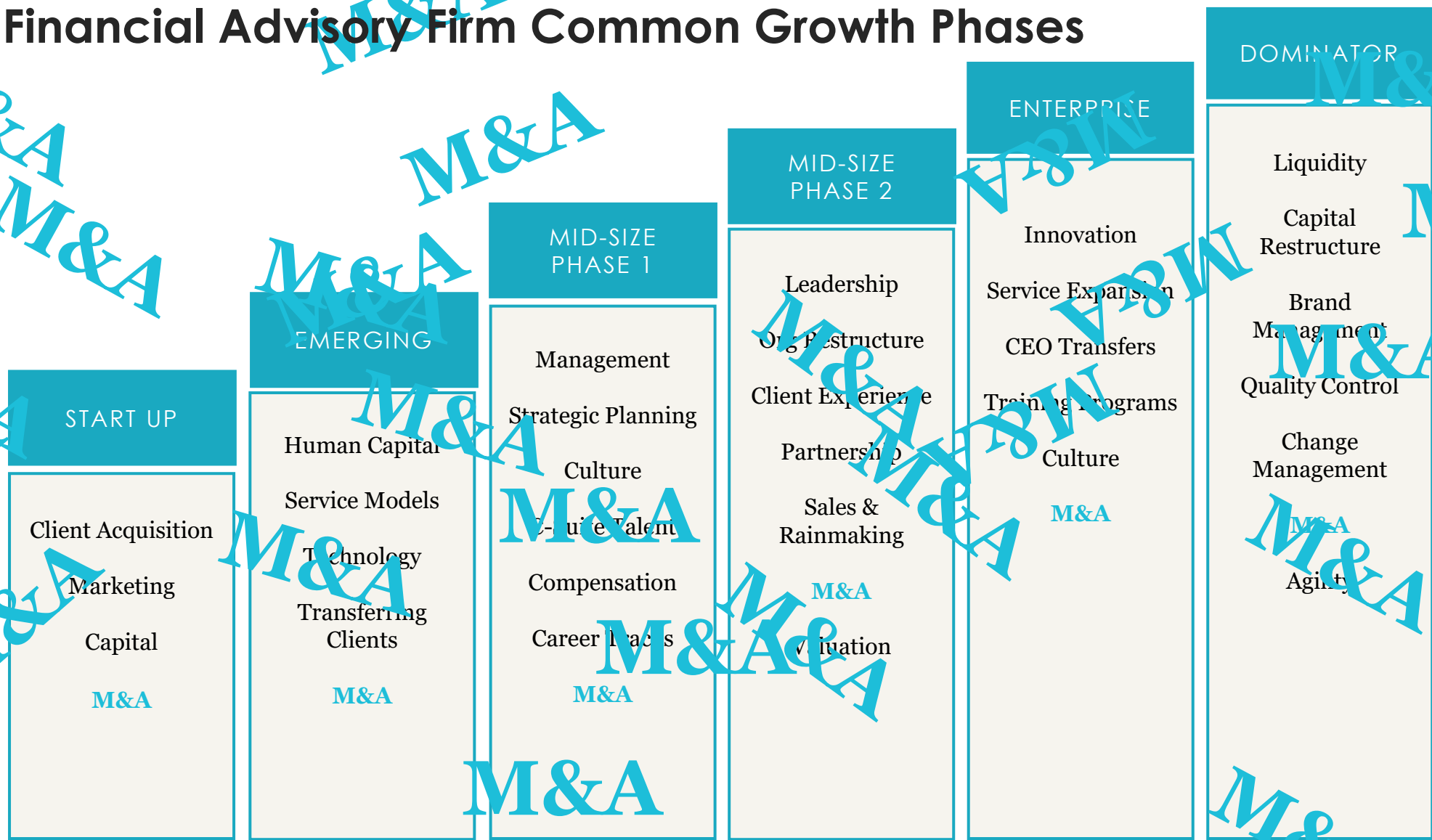
Financial Advisory Firm Common Growth Phases





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Financial Advisory Firm Common Growth Phases

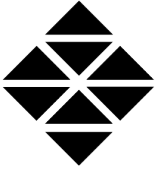




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#1: Clarity of Strategy: Your Why





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Clarity of Strategy: Your Why

WHY THIS MATTERS

- Most firms are reacting to a deal, rather than making it part of the strategic discussion each year.
- Doing so creates a considerable amount of wasted effort on chasing opportunities that don't pan out, ultimately hurting the growth of the firm itself.
- Reduces options by taking the “first available” that comes to you rather than exploring all the options based on your firm goals.



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Clarity of Strategy: Why Firms Do Deals

The Top 5 Reasons

Succession & Continuity: To liquidate and/or add shareholders to ensure the clients are taken care of

Talent Acquisition: The firm is growing faster than it can acquire talent, so they go out and find a firm that has capacity to take on new clients with the talent they already have.

Valuation Acceleration: Mainly used in larger firms to increase the valuation faster than organic growth alone can increase it.

Scale & Efficiency: A firm may not have the infrastructure that they need to grow to the next level so they will acquire, merge or buy a firm with the infrastructure already built.

New Markets & Capabilities: You want to expand service to clients (tax, 401k, business consulting, etc.) and you are acquiring, merging, or selling to expand client service.



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Guiding Questions to Clarify Your Why

WHAT ARE WE TRYING TO BUILD?

WILL M&A SOLVE IT FASTER OR SLOW US DOWN?

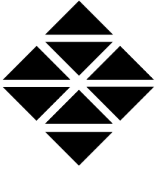
ARE WE SERIOUS ABOUT CONSIDERING ALL OPTIONS?



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#2: Know your Culture: Your Non-Negotiables





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Know your Culture: Your Non-negotiables

WHY THIS MATTERS

- Protects trust among shareholders and partners (and within yourself) that focuses on your values, employees, and clients
- Prevents being sold with resentment in accepting deal structures that are unrealistic and/or valuations that don't meet your expectations
- Prevents cultural drift where you think you're getting one thing and post close you realize it's not what you expect



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Know Your Culture: Your Non-negotiables

The Top 5 Reasons

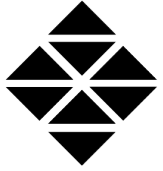
Fiduciary standard & client-first ethics – unwavering commitment to putting clients' interests first.

Client service model & experience standards – consistency in financial planning and investment management philosophy.

Talent & compensation philosophy – fair, transparent approach to rewarding and developing employees and/or not letting employees lose their jobs in the deal.

Brand reputation & communication standards – maintaining current brand, name, and how clients are communicated with.

Valuation – deal structures, price, expectations on earn out or debt financing, etc.



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Guiding Points to Establish Your Non-negotiables

CLIENT SERVICE STANDARDS

TALENT & COMPENSATION

BRAND & COMMUNICATIONS

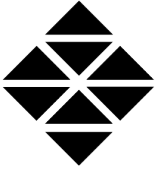
VALUATION, PRICE, DEAL STRUCTURE



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#3: Know Your Service Model: Your Standards





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Know your Service Model: Your Standards

WHY THIS MATTERS

- Many deals fall through due to client service and client standards
- Client service models and the client journey establish these standards clearly and define the level of client service, tech stack, and staffing
- Our people are our ultimate “product” – they deliver the experience and the service



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Know Your Service Model: Your Standards

The Top 3 Things You Can Do Today

Map Your Client Journey - Knowing exactly what happens, by whom, how and when. This allows you to know where you shine and where you have holes, whether buying, selling or deciding to get your house in order before either option.

Establish or Enhance Your Career Tracks & Compensation Philosophy - Build out career paths, set capacity targets for advisors and support teams, and create a consistent service model that new firms can plug into.

Create a training process & integration process – A repeatable training and integration plan, grounded in talent alignment and leadership structure, is a massive advantage when creating certainty during a transition.



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Sample Client Experience





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Sample Client Experience

AUDIT



RUN

TUNE





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Design Your Career Paths

What are the qualifications for the role?

What is the breakdown of the core responsibilities of the role?

What does success look like? What do I need to accomplish or be able to do to move the next level?

Associate Advisor

- Level 1 -

- College degree
- 0-2 years experience

- 50% Attend meetings
- 25% Client prep and follow-up
- 25% Data Entry

- Take notes and observe meetings
- Prepare basic agendas with checklist
- Draft follow up for advisor review
- Able to gather, organize, and input data
- Learning to communicate with clients
- Pass Series 65 within first 6 months
- Start CFP® studies

- Level 2 -

- College degree
- Series 65
- 1-3 years experience

- 60% Attend meetings
- 20% Client Prep and Follow-up
- 20% Data Entry & Plan Development

- Present in client meetings with supervision
- Identify planning opportunities
- Build recommendations in software
- Draft follow-up with minimal changes from advisor
- Contributing to client discussions
- Apply CFP® studies

- Level 3 -

- College degree
- 3+ years experience

- 50% Attend meetings as 2nd
- 10% Leading Relationships
- 20% Client Prep and Follow-up
- 20% Data Entry & Plan Development

- Leading client meetings with supervision
- Leading small # of clients independently
- Preparing agenda with minimal changes from lead
- Full ownership over meeting follow up
- Pass CFP®
- Capable of Leading \$X in client revenue/ X households



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Guiding Questions to Establish Your Standards

WHAT TYPES OF CLIENTS DO WE *TRULY* SERVE?

WHAT IS OUR CLIENT EXPERIENCE AND SERVICE MODEL?

HOW ARE NEW CLIENTS FOUND AND ONBOARDED?

DOES OUR TEAM HAVE CLEAR PATHS & EXPECTATIONS?



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#4: Know What Value Matters: *The Money*





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Know What Value Matters: The Money

WHY THIS MATTERS

- Industry is full of all different kinds of buyers and sellers
- Deal structures are vast with many conditions, all of them different
- You can have a full-sale, partial-sale, sell and keep working, private equity, minority structure, and on and on...
- There is no “typical deal” and no “typical multiple”, every buyer and seller bases the transaction on what they want to achieve, usually with internal value drivers working toward their goals
- Most deals are done without an M&A division or investment banker; they are firm to firm with lawyers.



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Know What Value Matters: The Money

The Top 5 Drivers of Value

Client Experience – Build an experience that is Intentional, Repeatable, and Relational...and fits the clients you are serving

Strengthen Your Financials - and know your key metrics and ratios. Not because “the survey says”, but because your firm is uniquely designed and there is intention behind every metric

Exit Early – Focus on building a leadership team that’s not you. If the firm can function for a month without you, you’ve done your job (this goes for everyone)

Invest in Your Talent Infrastructure - That means scalable compensation, clear career paths, leadership capacity, firm-level metrics, and a culture that knows how to grow intentionally

Have a Vision for What’s Next (including growth post-close) – because if you don’t, they will



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Guiding Questions to Establish Your Value

WHAT TYPE OF TRANSACTION ARE WE PURSUING? BUY, SELL, OTHER?

WHAT NUMBER IS TOO LOW TO ACCEPT (SELLER)?
WHAT NUMBER IS TOO HIGH TO ACCEPT (BUYER)?

AM I WILLING TO CONSIDER SELLER OR BUYER FINANCING?

WOULD I LIKE SOME FORM OF LIFETIME INCOME?

WHAT ABOUT MY SPOUSE, PARTNER OR LOVED ONES?

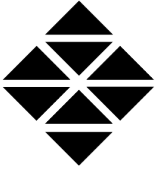
WHAT WILL WE ABSOLUTELY, POSITIVELY NOT CONSIDER?



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#5: Know Your Expectations Post-Deal: The Execution





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Know Your Expectations Post-Deal: The Execution

WHY THIS MATTERS

- We popped the champagne, now what?
- Who's in charge? How are roles shifting? What do clients hear and when and how do they hear it?
- Deals lose value when there's not a crystal-clear transition & integration plan. Confusion and lack of clarity creates instability which creates churn for both your team...and clients.
- Will clients experience consistent service quality and communication compared to pre-deal?
- Are employees engaged, retained, with clear roles, career paths, and compensation?
- How will we stay on track to meet the growth goals that were discussed pre-deal?



CHECKLIST

M&A Questions for All Financial Advisor Owners/Leaders to Consider Prior To Ever Having a Deal on the Table

Why (Clarity)

- What are we trying to build?
- Will M&A solve it faster or slow us down?
- Are we serious about considering all our options?

Culture (Non-negotiables)

- What are non-negotiable in client service standards?
- What is non-negotiable in talent and compensation, including partnership/owners' compensation?
- What is non-negotiable in brand and communications to clients?
- What is non-negotiable on price, deal structure, etc.?

Service Model (Standards)

- What types of clients are served?
- What is the investment philosophy?
- What is the level of financial planning offered?
- How are new clients found and onboarded?

Value (Dollars)

- What type of transaction are we pursuing? Buy, sell, or merge?
- What number is too low to accept (seller) / What number is too high to accept (buyer)?
- Am I willing to consider seller or buyer financing?
- Am I willing to accept earnouts or retention bonuses?
- What will I/we not consider?

Post-Deal Expectations (Execution)

- Will clients experience consistent service quality and communication compared to pre-deal?
- Are employees engaged, retained, with clear roles, career paths, and compensation?
- How will we stay on track to meet the growth goals that were discussed pre-deal?

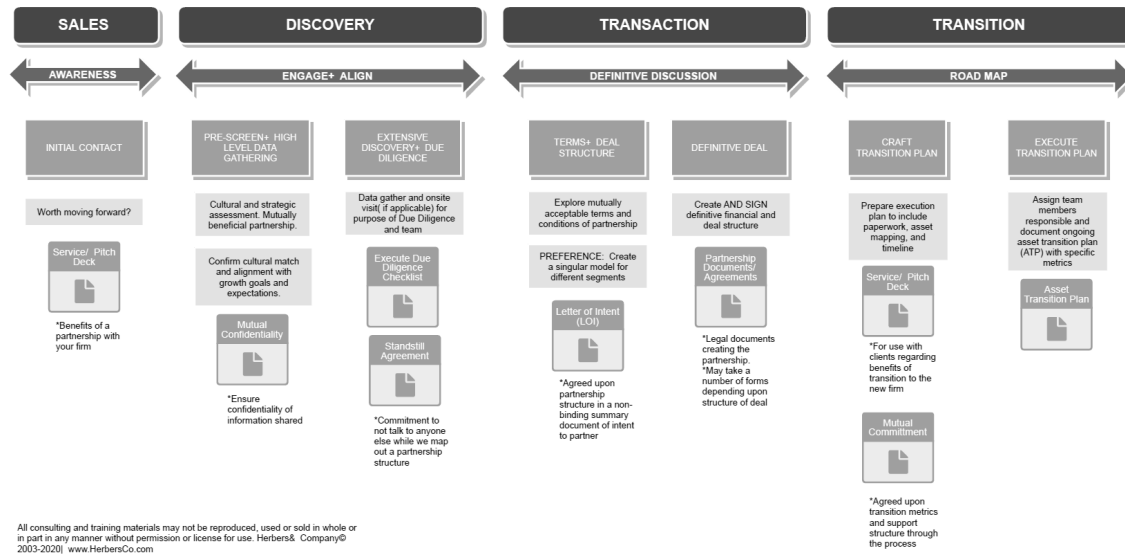


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M&A Tools



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MERGERS AND ACQUISITIONS (M&A) GUIDELINES

CULTURAL & CLIENT ASSESSMENT CHECKLIST

Mission, Vision, Core Values:

- Do they have written vision, mission and core values?
- Do they know and follow them?
- Do they fit with yours?

People and Partnership:

- What is their 'why' for themselves with their business and career?
- Are there any accommodations necessary to make their 'why' a reality?
- Do they have an identifiable niche, specialty, or distinct competitive advantage?
- Is there any partner/employee they are requiring you to retain? Why are they requiring you to retain them?
- Would we be proud to put them in front of a camera with our brand behind them?
- Would we want to hang out with them at the _____?
- Who on the team has veto authority?
- Who will have ownership in the transition?

Value:

- How do they add value to your team and clients above what you are already doing with your team and clients?
- How do we add value to their team and clients above what they are already doing with their team and clients?
- Are the expectations of value provided by each party aligned?

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MERGERS AND ACQUISITIONS (M&A) GUIDELINES

BUSINESS ASSESSMENT

Revenue & Income:

- Obtain financial statements:
 - Profit & Loss Statement (P&L)
 - Balance Sheet
 - Payout statements for previous 3 years
 - In some cases, tax returns.
- List all revenue sources, how these are charged (recurring, one-time, etc.) and if there are any end dates.
- Do they have other lines of business (i.e. verticals), such as insurance, retirement plans / 401ks, tax returns, banking, etc.
- For B/D and Wirehouse advisors, describe any overrides or bonuses received or outstanding that could affect timing of the transaction?
 - Please note: For any advisor who has the goal of breaking away, all information requested needs to be first approved by attorney to prevent issues with legal regarding breaking away.
- How is income currently calculated and what are the income expectations vs. any profit share or partnership distributions?

Financial Planning:

- How do they currently execute financial planning? Request any documents that outline how financial planning offered.
- How do they charge for planning?
- What is their 'deliverable'?
- Do all clients receive it?
- Is there potential 'lift' to add planning to their service model?

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