

Unlocking Private Company Wealth

**Advising Your Clients in Monetizing
Their Illiquid Wealth**

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Insights

1. Now Is a Good Time to Talk to Your Clients
2. Ownership Always Matters
3. Questions to Ask Your Clients
4. Total Wealth Management
5. Liquidity Strategies

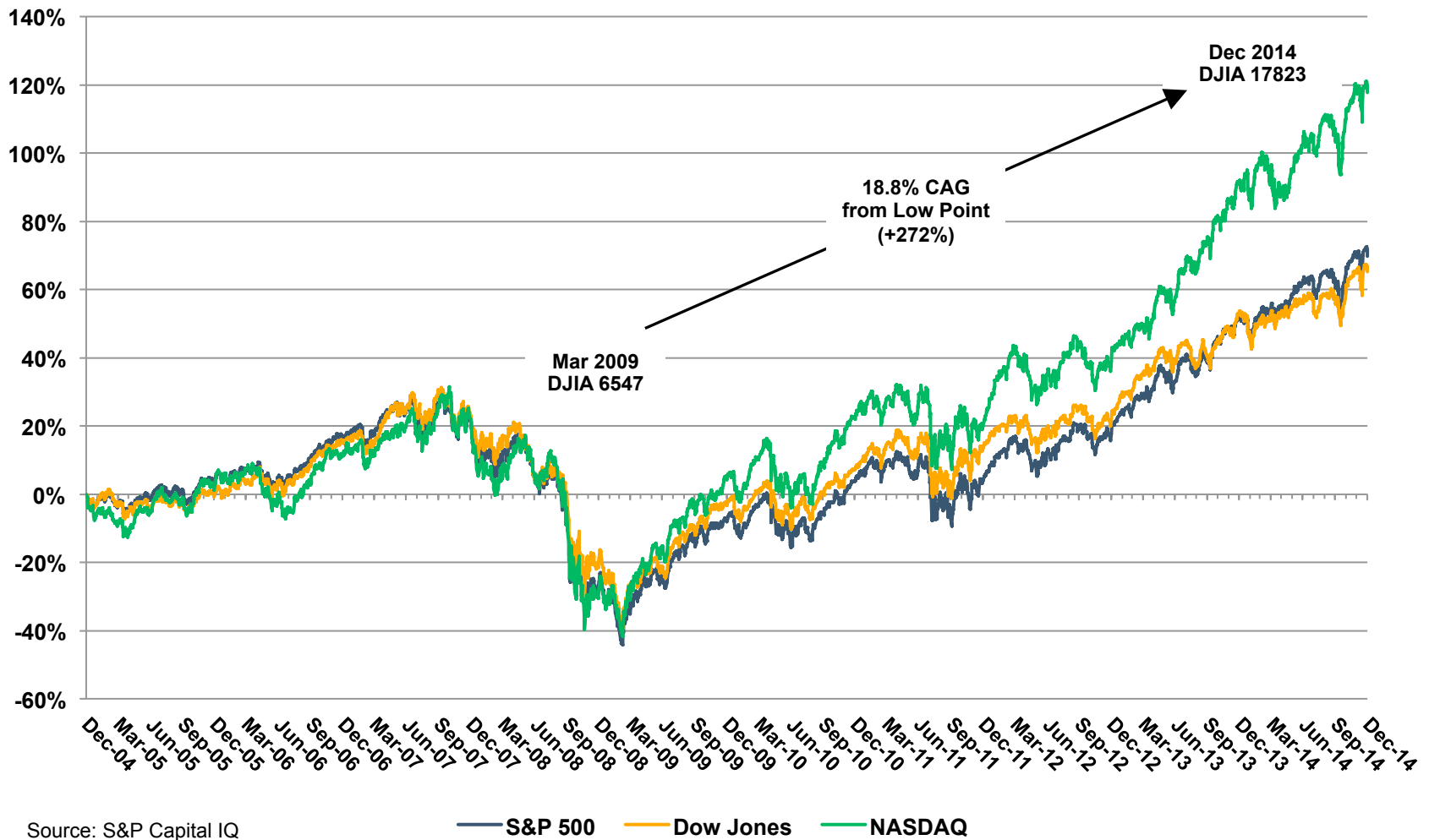


**Now Is a Good
Time to Talk to
Your Clients**

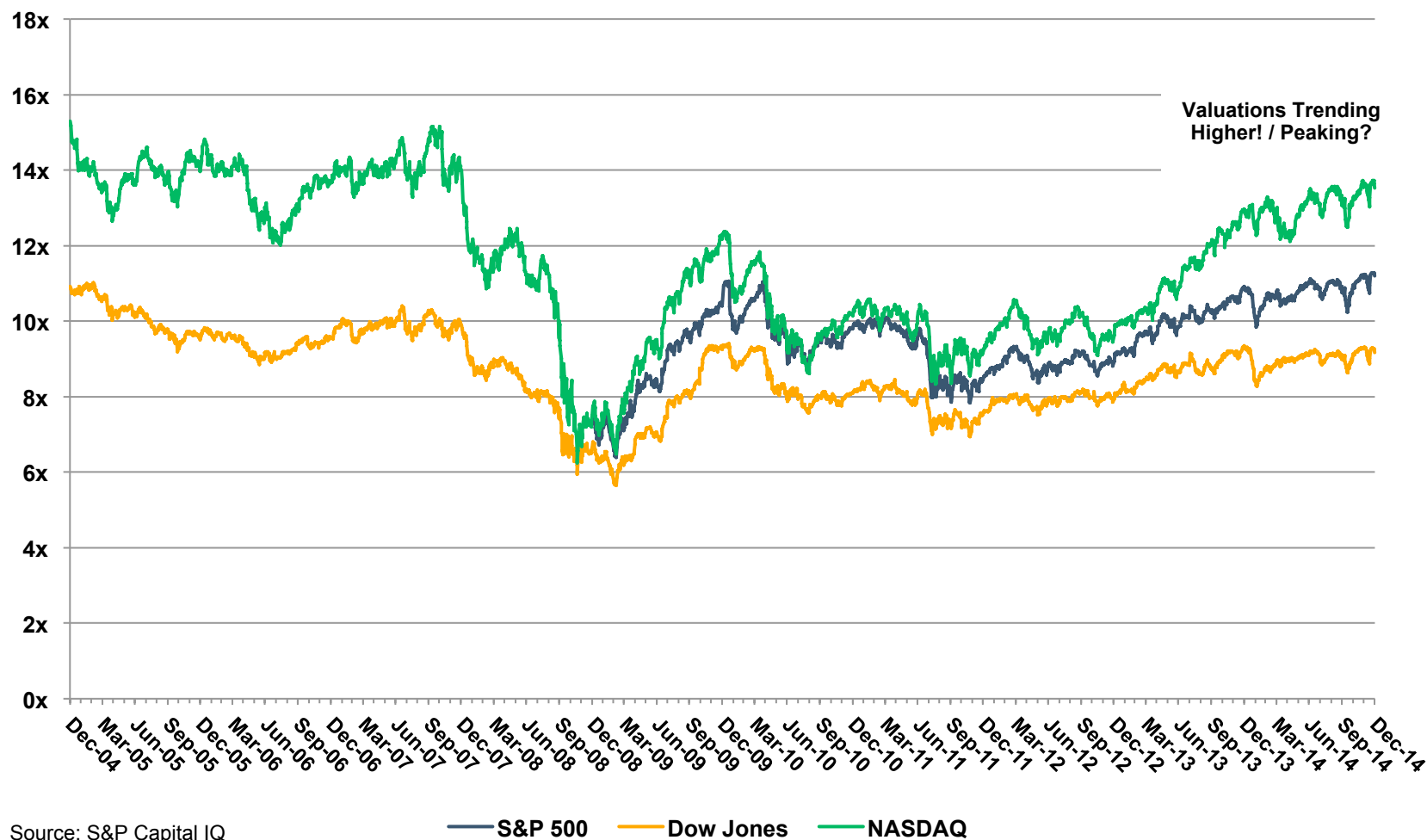
Baby boomers and their businesses

- There are 76 million baby boomers in the US or approximately 25% of the US population
 - 66% of all businesses with employees, or nearly 4 million companies, are owned by baby boomers
 - The oldest of the baby boomer generation started turning 65 on January 1, 2011, at a rate of 10,000 people a day — a trend that will last for the next 19 years
-

Stock market indices



Public stock market valuation



Private equity M&A activity

	2012	2013	'12 & '13 (2)	2014			
	Ttl '12 (2)	Ttl '13 (2)		Q1	Q2	Q3	Ttl '14 (2)
All Transactions (1)							
Deal Volume	232	145	377	33	44	36	113
Total Enterprise Value ÷ EBITDA	6.2x	6.4x	6.3x	6.2x	6.4x	6.7x	6.4x
Senior Debt ÷ EBITDA	2.4x	2.5x	2.5x	2.3x	2.9x	2.6x	2.6x
Sub/Mez Debt ÷ EBITDA (3)	1.0x	0.9x	1.0x	1.2x	0.9x	1.0x	1.0x
Total Debt ÷ EBITDA	3.4x	3.4x	3.4x	3.5x	3.8x	3.6x	3.6x
Implied Equity ÷ EBITDA (3)	2.8x	3.0x	2.9x	2.7x	2.6x	3.1x	2.8x
Implied Equity as a % of Capital (3)	44.5%	47.1%	45.5%	43.5%	40.6%	46.3%	43.3%
Implied Ttl Debt as a % of Capital (3)	55.5%	52.9%	54.5%	56.5%	59.4%	53.7%	56.7%

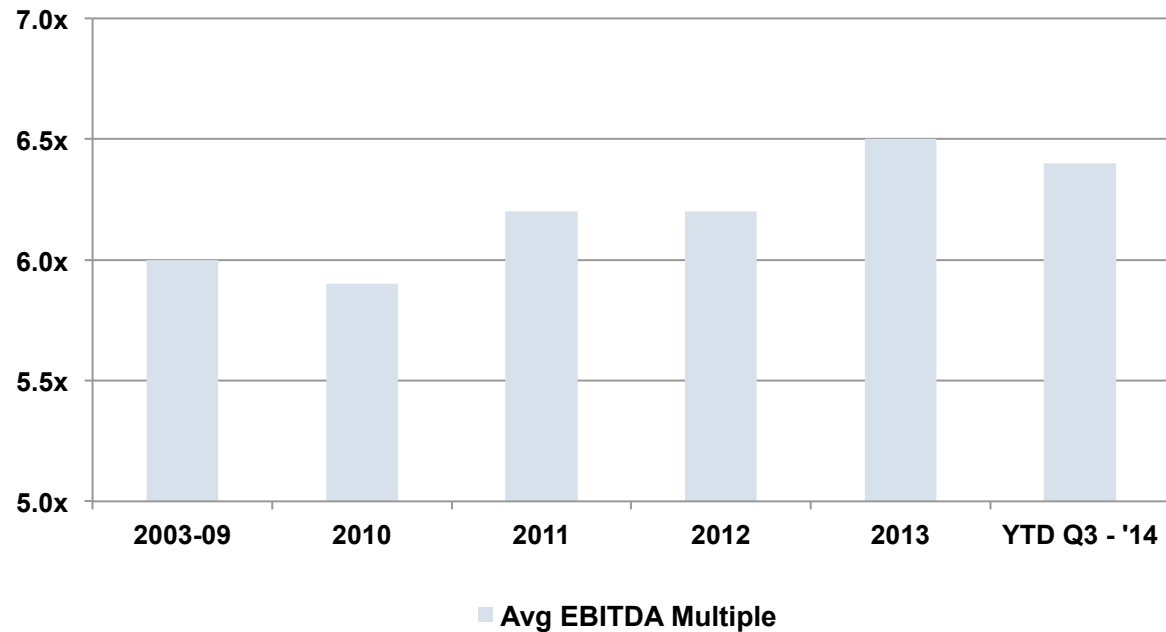
Notes

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(2) Per Mercer Capital; volume-weighted quarterly multiples for each respective year. 2012 data per GF Data Aug 2014 report.

(3) Derived by Mercer Capital

Private equity M&A activity



*Note: 2003-09 Annual Average of 7 Yrs; 2014 YTD Annualized (lacks typical Q4 volume push)
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Ownership Always Matters

Ownership is not a static concept...

	Partial Sale / Transfer	Total Sale / Transfer
Active Events	<ul style="list-style-type: none"> ESOP / Management Outside Investor(s) Sales to Insiders / Relatives Combination Merger / Cash Out Going Public Gifting Programs Buy-Sell Agreements 	<ul style="list-style-type: none"> Sale of Business Stock Exchange w/ Public Co. Stock Cash Sale to Public Co. Installment Sale ESOP / Management Buyout Liquidation Buy-Sell Agreements
Passive Events	<ul style="list-style-type: none"> Death Divorce Forced Restructuring Shareholder Disputes Buy-Sell Agreements 	<ul style="list-style-type: none"> Death Divorce Forced Restructuring Bankruptcy Shareholder Disputes Buy-Sell Agreements



Questions to Ask Your Clients

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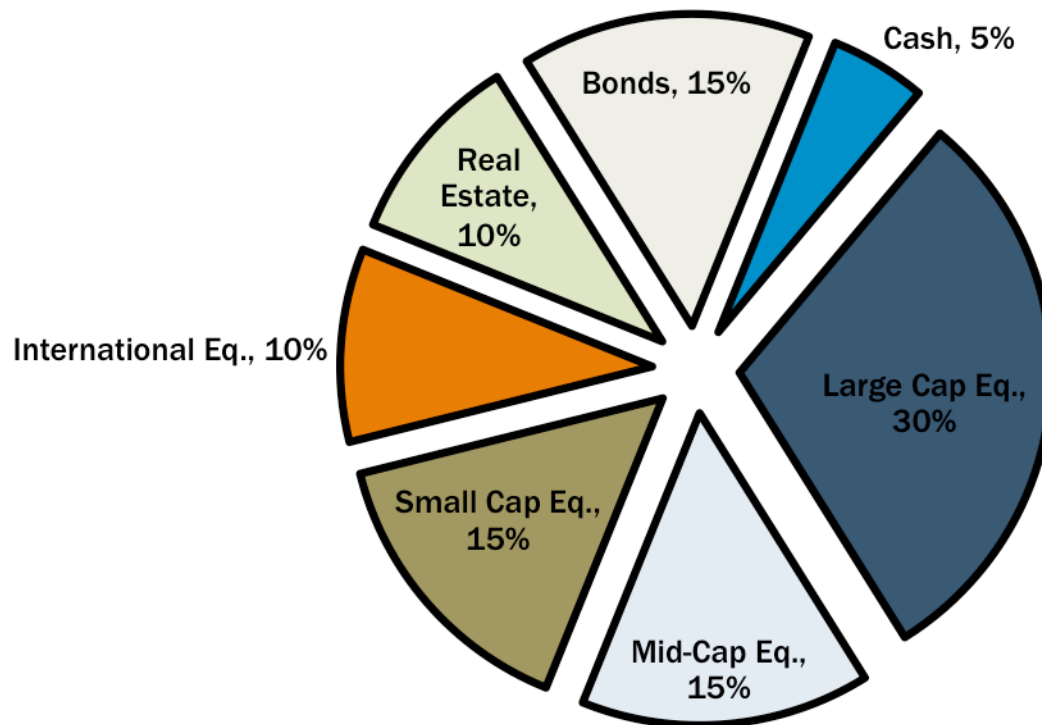


- Who should own the company? In 3 years? In 5 years?
- Family? Management? Financial buyer? Strategic buyer?
- Is your business working for you?
- What if you had to sell tomorrow?
- What could affect your ownership? – and are you ready?
- What do you believe you need to begin doing now to accomplish your goals?

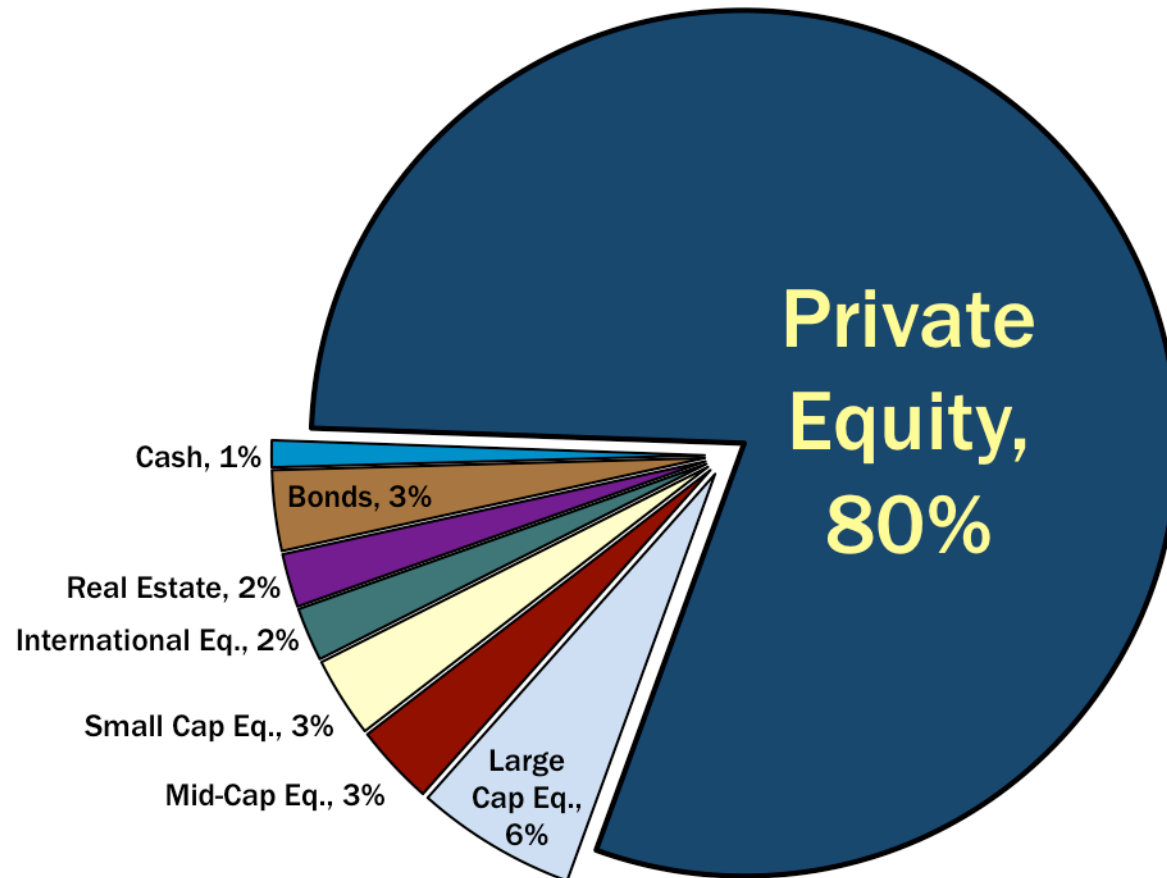


Total Wealth Management

Asset allocation of a business owner with \$5 million of liquid assets

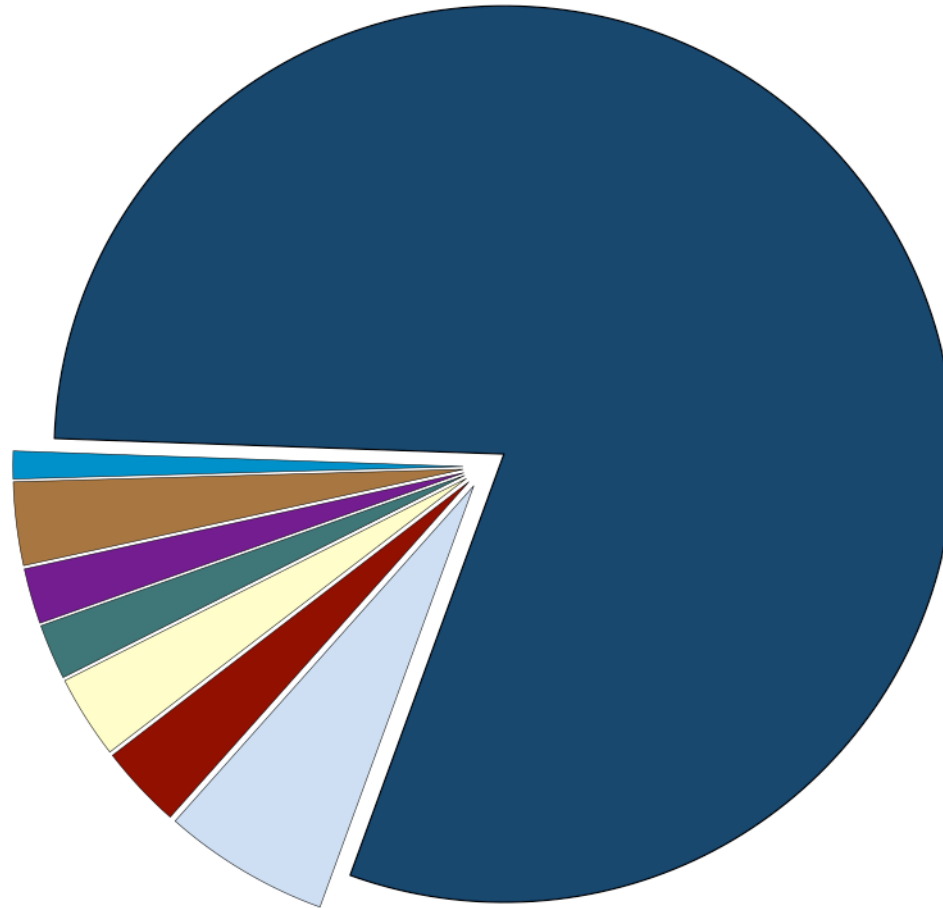


The reality is that business owner has
a \$20 million closely held business



Why should you care?

Baby boomers
are transitioning
their wealth and
seeking to begin
the next phase of
their lives



Are your clients
working to
manage ALL
their wealth, both
liquid and
pre-liquid?

The One Percent Solution



- Allocate a percentage of value for the illiquid assets under management to provide the budget necessary to manage wealth

- Liquid Assets
 - 1% of assets under management, +/-, depending on asset category

- Pre-Liquid Assets
 - 0.5% to 2% of value (AUM) for businesses depending on value

How You Are Involved In the Transaction Process



- Annual legal reviews
- Estate planning
- Buy-sell agreement drafting or review
- Attest services
- Life insurance funding
- Wealth manager compensation
- Annual valuations and monitoring value growth
- Buy-sell agreement pricing (per annual valuations)
- Financial planning
- “Make ready” consulting projects



Liquidity Strategies

HOLDING ON	SELLING IN (Family, Management)	SELLING OUT (Financial buyer, Strategic buyer)
Regular dividends	Management buy-in	Private equity
Special dividends	ESOP	Third party sale (financial buyer)
Share redemptions	Generational Transfers	Third party sale (strategic buyer)
Leveraged dividend recap	Trust Ownership	
Leveraged stock recap (buy-back)		



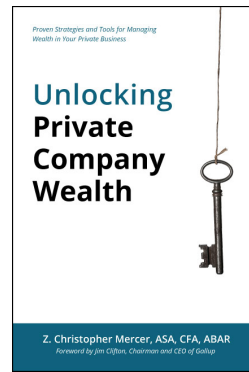
Concluding Thoughts

Recap of information covered

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Resources

Newest Book



Newsletter



Industry Coverage

- Agribusiness
- Animal Health
- Asset Management
- Auto Dealerships
- Banks
- Business Development Companies
- Construction
- Convenience Stores
- Energy
- Equipment Dealers
- FinTech
- Food & Beverage
- Healthcare Facilities
- Insurance
- Laboratory Services
- Medical Device
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