

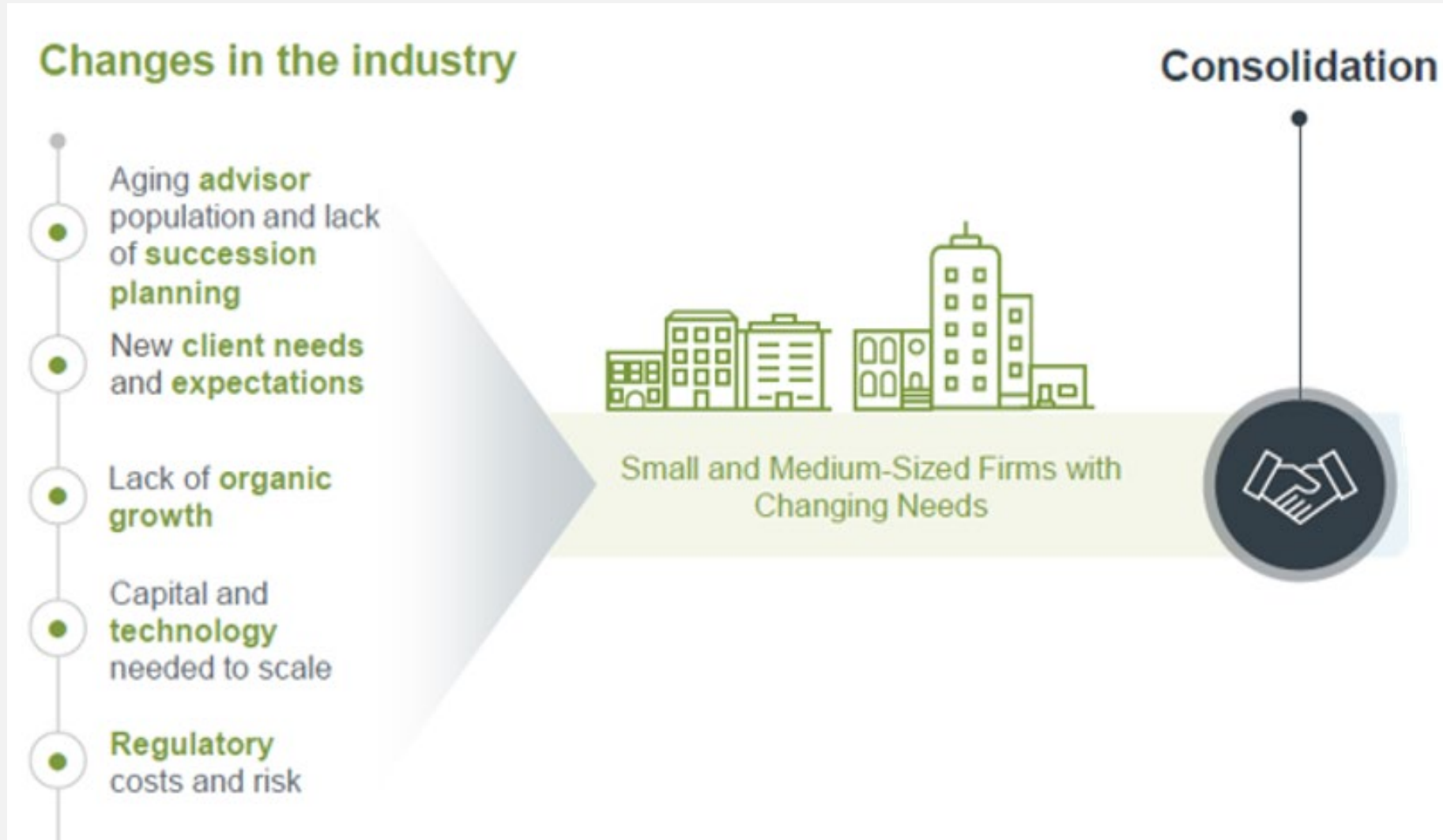
Preparing Yourself & Your Practice for Acquisition

For Financial Planning Professionals. Not for use with the investing public.
Investment advice offered through Stratos Wealth Partners, a registered investment advisor.



- Understanding Today's M&A Landscape
- Gaining Clarity on Your "WHY" and "WHAT"
- Determining if your Practice is "Acquisition-Ready"
- Developing Your Acquisition Strategy
- Deal Structure & Financing Considerations

Understanding Today's M&A Landscape



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M&A Landscape – Facts, Challenges, Opportunities

Facts	Challenges	Opportunities
<ul style="list-style-type: none">• 43% of the U.S. advisor population is over 55 years old*• 100,000 advisors control \$10 trillion client assets aging out of business in next 10 years**• 45% are aiming for an internal ownership transition/sale to an employee or family member**• 30% are hoping for an external transition, which would involve selling the business**• 25% of the advisors heading toward retirement with no concrete plan**	<ul style="list-style-type: none">• Talent gap: low number of new advisors entering industry• New advisor failure rate• Under-capitalized G2 and G3 advisors• Cost of capital	<ul style="list-style-type: none">• Follow demographic shifts• Technology adoption• Train and position next Gen talent• Build practice team and infrastructure• Understand key components of acquiring

*Deloitte: 10 Disruptive Trends in Wealth Management

**Cerulli Associates, 2023 Advisor Survey

Strategic Growth for your Practice

1

**Organic Growth
Strategy**

2

**Mergers and
Acquisitions Strategy**

3

**Strategic Alliances
Strategy**

Reasons for Employing an M&A Strategy



Financial

- Additional AUM
- Higher Operating Margin
- Revenue Growth



Scale

- Geographic
- Technology
- Operations



Products and Services

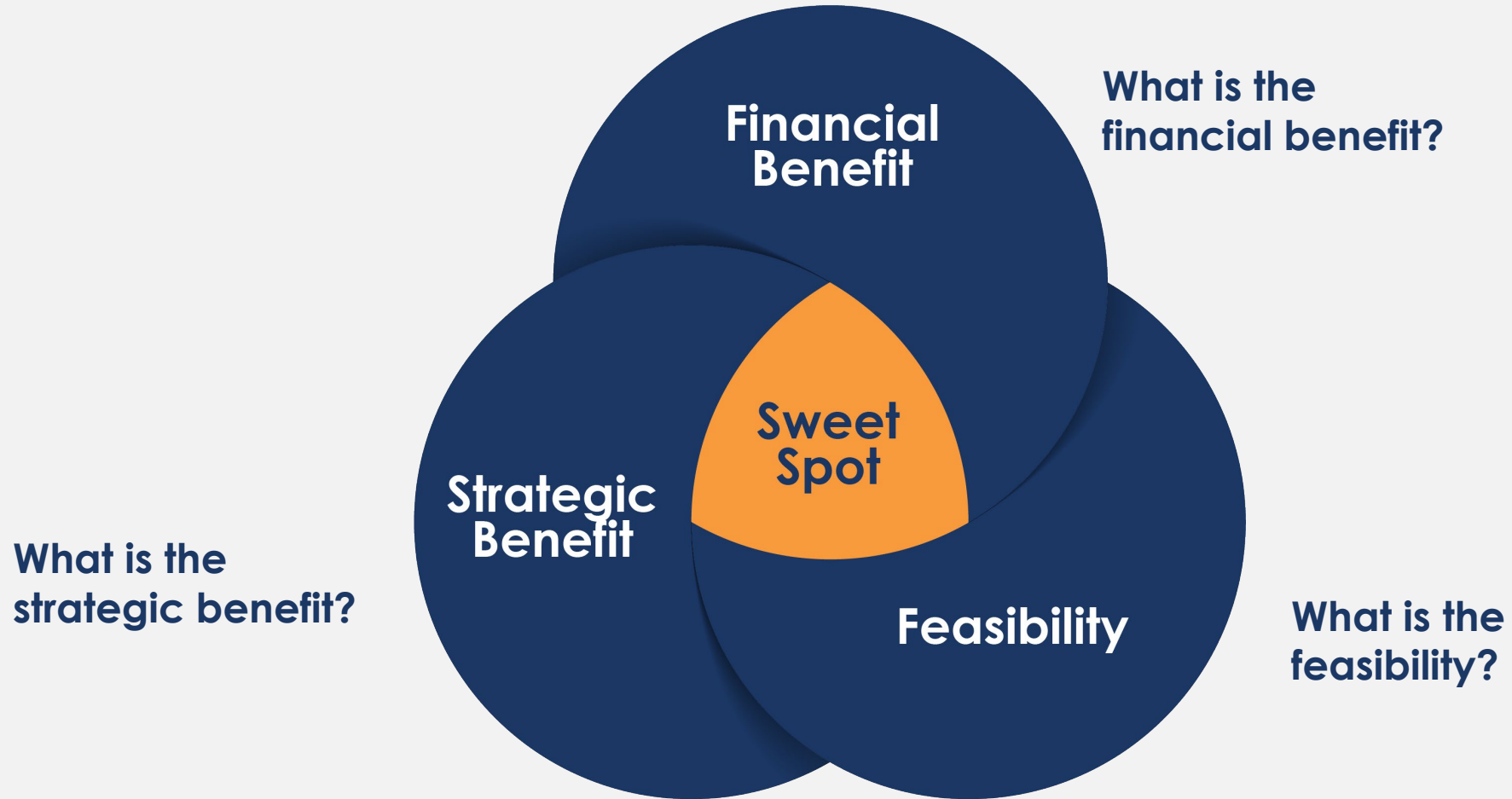
- New Offer
- Close Product and/or Services Gap



Talent

- Financial Professional Talent
- Executive Talent
- Specialized Expertise
- Expanded Equity Ownership

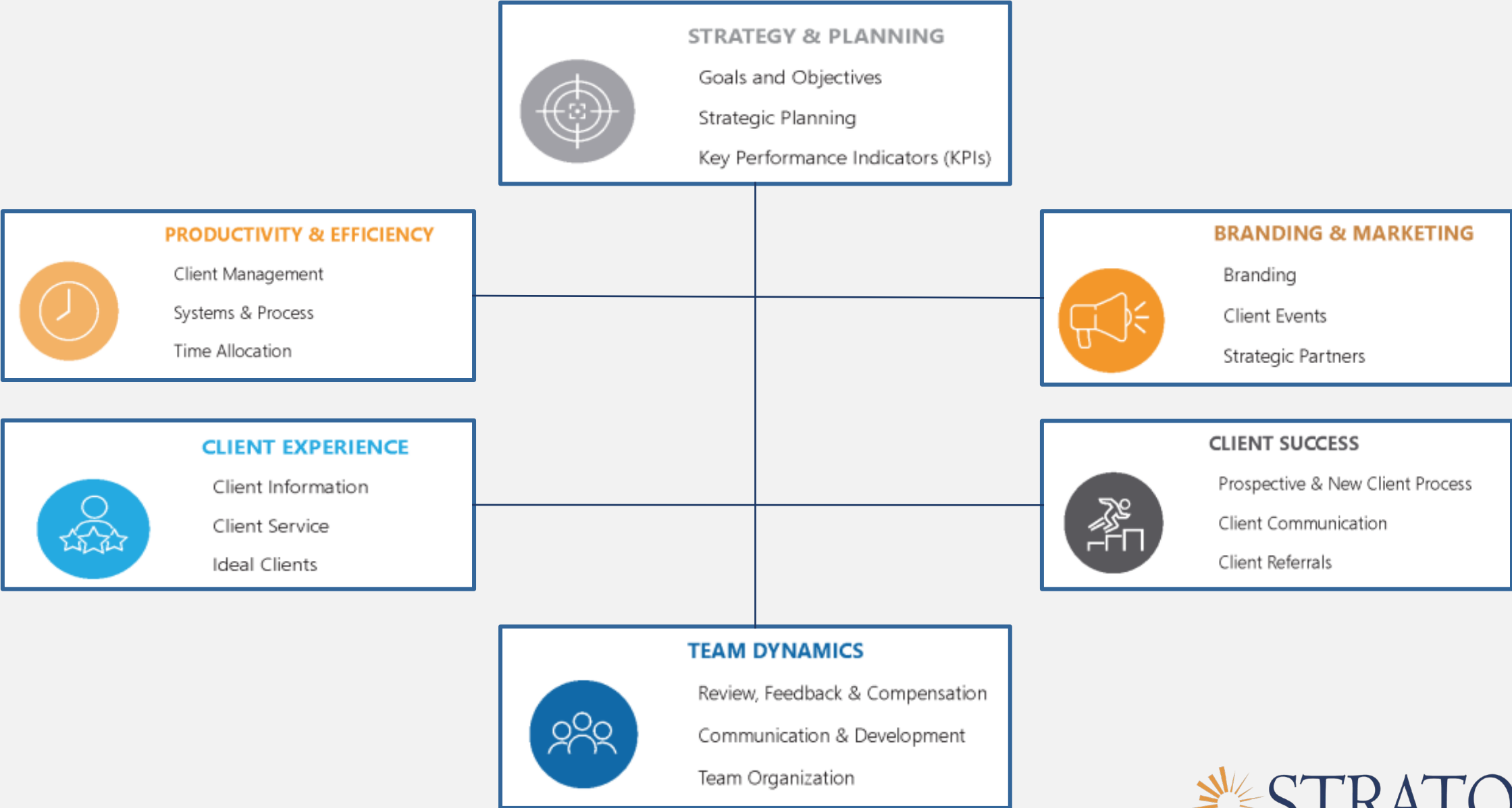
Getting Clear on Your “WHAT”





*Don't build your empire
on a shaky foundation....*

Key Pillars of a Top-Performing Practice



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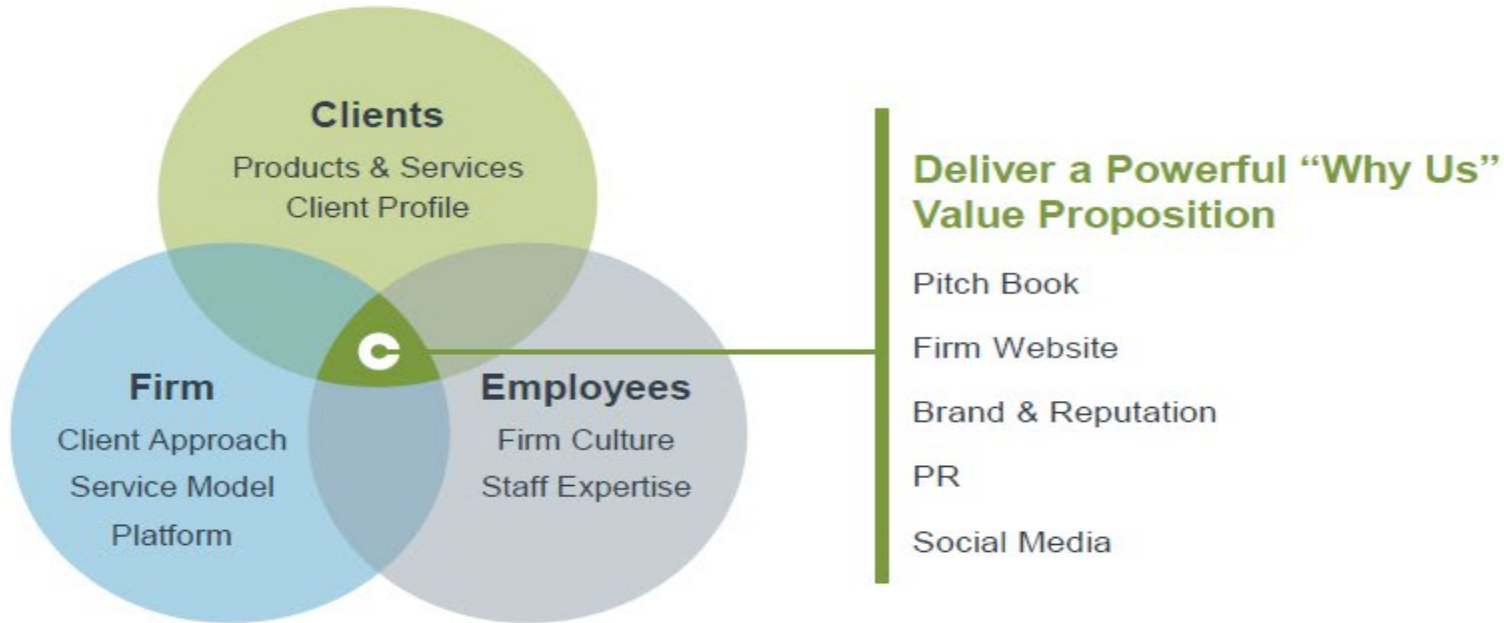


PRACTICE ASSESSMENT QUESTIONNAIRE		STRATOS PRACTICE MANAGEMENT & CONSULTING
	Rating: 1-10	
1. We have clearly defined & measurable goals for this year. These goals are known and adopted by each member of the team. Progress toward these goals are tracked at least quarterly.		
2. We have a detailed vision for our business over the next 3 to 5 years. This vision is understood and embraced by every member of the team.		
3. We use a CRM (Client Relationship Management Software) to manage our clients, business, and capture important information. Every member of the team consistently utilizes the CRM daily.		
4. We have process for engaging with Centers of Influence (COI's). Our COI process is proven effective as evidenced by the regular referrals and introductions to new opportunities we consistently receive.		
5. Our clients feel that we provide an exceptional client experience.		
6. Our clients would describe our practice and the value we deliver as 'different, unique, and better than what other financial advisors provide'.		
7. We have process in place to regularly solicit feedback from our clients and implement their suggestions where it makes sense.		
8. Our marketing & branding strategy clearly communicates the value of our team, our practice, our philosophy, and our process.		
9. Our website clearly communicates the value of our team, our practice, our philosophy, and our process. We regularly add new content & refresh the look/feel to avoid becoming stale.		
10. All client facing materials are of the highest quality and professionally produced.		
11. We have all the employee-related pieces in place to operate as a professional business (i.e. Employee handbook, employee evaluation/review process, etc.)		
12. We effectively communicate with our clients in a way that makes them feel that we are singularly focused on their needs/issues.		
13. We communicate to our clients that we have a propriety process in place for managing their wealth.		
14. We have defined our 'ideal client' and we do not deviate or make exceptions to that criterion when evaluating a potential new client to the practice.		
15. We regularly & consistently receive qualified referrals & introductions from our existing client base.		
16. All functions of our business have a redundancy plan in place to avoid disruption should a key member of the team depart the practice.		

WORKSHOP EXERCISE #1:

Take 5 minutes to complete the Practice Assessment Questionnaire

Consider Developing a Compelling Value Proposition That Sets Your Firm Apart When Approaching Potential Sellers

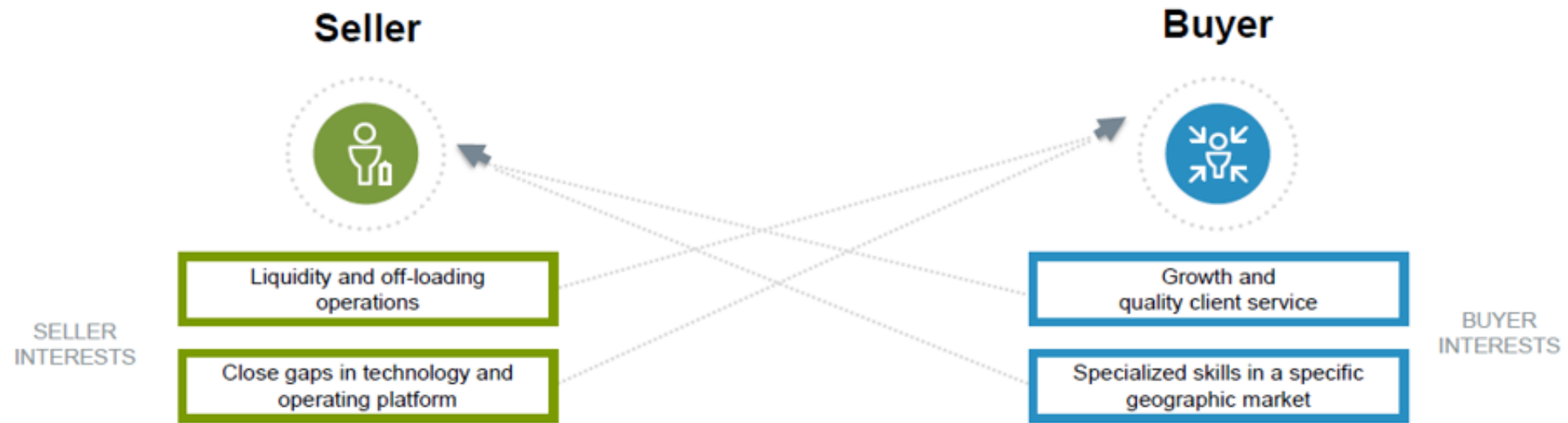


SELLER QUESTIONS

- How will I and my firm employees be involved in the new firm? What role will I play?
- How will you help fuel long-term future growth?
- How will your service model and technology platform help me become more productive and better engage with clients?
- What are the economics of the deal, including equity and compensation?
- Do our values and beliefs align, including investment philosophy?

Alignment of Interests: Identifying Synergies

When Trying to Succeed in Today's Market, Think About Value in Terms of Alignment of Interests



Both buyers and sellers should incorporate the **motivations of both parties** into their story and negotiations.

Acquisition Target Profile Worksheet

Determine Your Target Profile

With your value proposition created, the natural progression is to further refine your target profile. Below are general seller attributes to customize your target profile. A thoughtful target profile lasers your focus enabling you to efficiently execute your inorganic growth strategy.

Identify Ideal Seller Attributes

Attribute	Target Seller
AUM range to purchase	
Affiliation: Corporate, Hybrid, Institutional, IFA Only, External	
Geography: national, regional, local	
Revenue type: fee vs. commission-based in percentages	
Number of advisors	
Employment structure: W2, 1099	
Are Next-Gen staff (G2) required to be in place?	
Number of staff	
Number of households	
Average client size	
Target clients (i.e. client niche or AUM)	
Client service model: financial planning? asset management?	
Investment philosophy: active vs. passive	
Investment vehicles: managed platforms	
Professional designations: CFP, CFA, CPA, ChFC, etc.	
Seller's transition: sell-and-go or sell-and-stay	
Lifecycle stage: growth, stable, decline	
Seller's years of experience	
Other	

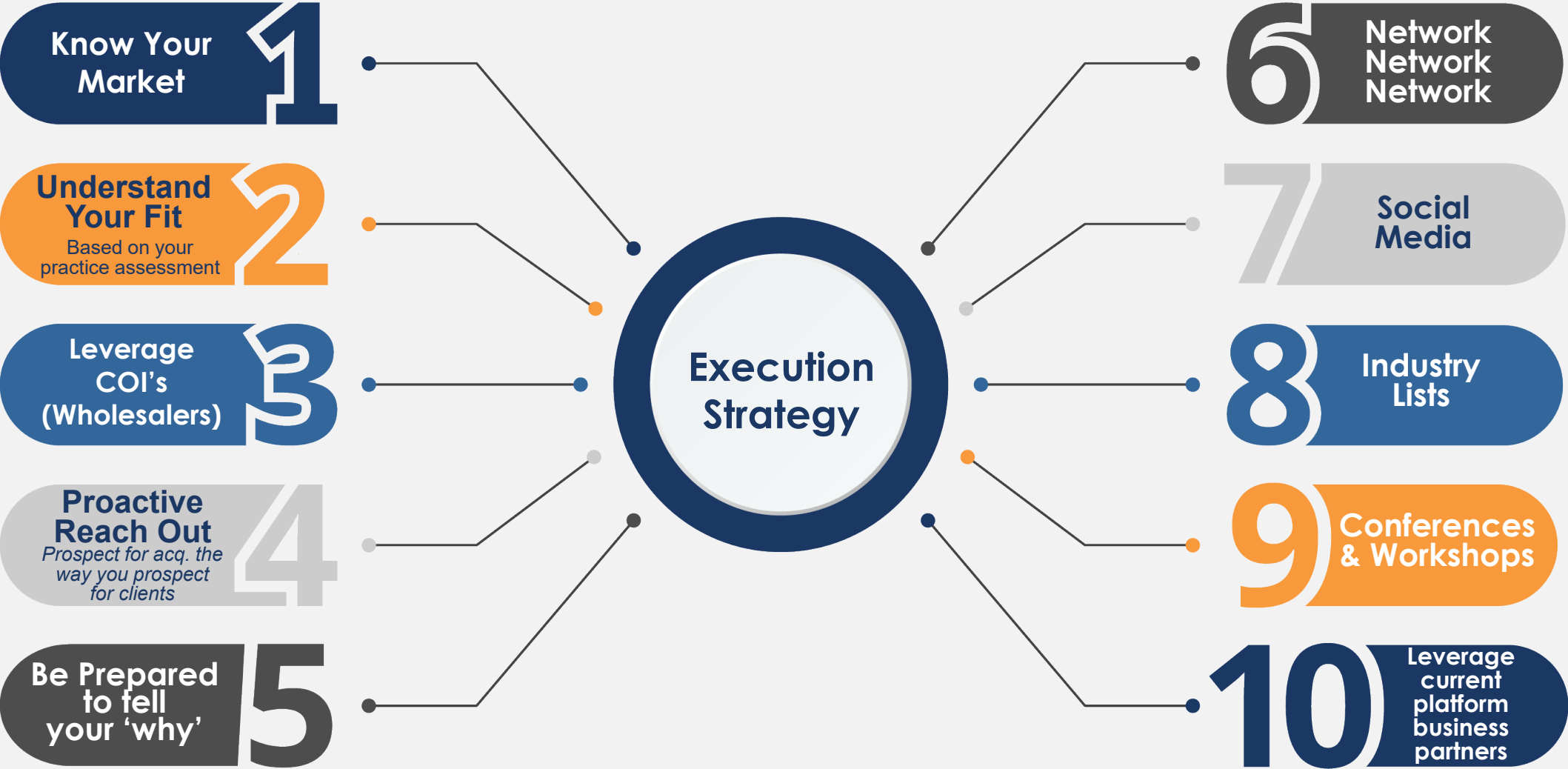


WORKSHOP EXERCISE #2

Take 5 minutes to complete the Acquisition Target Profile worksheet



Developing a Successful Outreach and Introduction Strategy



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Valuation Methodologies

Determine the fair market value of the target business. Work with financial experts to assess the valuation based on financial performance, assets, and market conditions.



**Understand channel implications – Wire, Bank, Independent*



2024

Advisor
123 Main Street
Anywhere, USA 1010111753

Dear Advisor,

This non-binding letter of intent ("LOI") describes the general business terms and deal structure which the ANYWHERE USA of MY FIRM is prepared to pursue in connection with the acquisition of 100% of the equity of the wealth management business of YOUR FIRM based on a valuation of **\$1,000,000** on a debt-free basis (the "Acquisition"). Stratos Wealth Partners (the "Company") and YOU (the "Seller") hereby agree to the following:

- The Parties agree and acknowledge that the purchase price is based on the full year 2023 Gross Revenue of **\$XXX,XXX** (the Revenue).
- The parties hereto agree and acknowledge that the Acquisition is targeted to close on or around April 1, 2024.

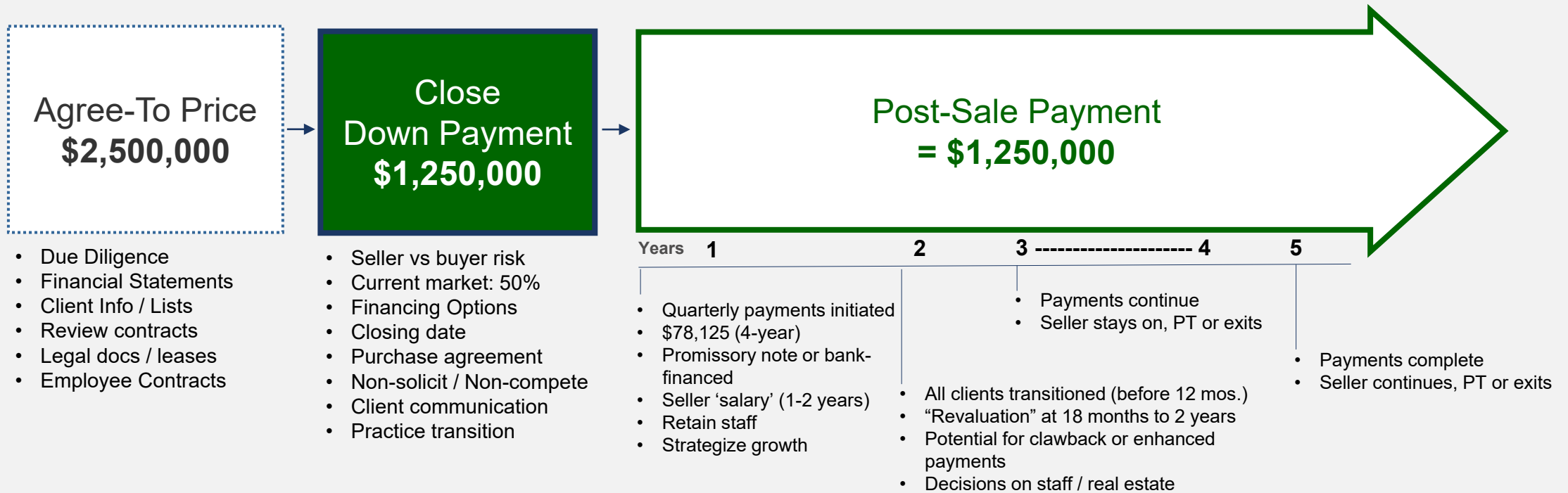
The Parties hereto agree as follows:

- a. Subject to the terms and provisions set forth in this letter of intent and the final transaction documents executed by the Parties, affiliates of the Company shall pay Seller the sum of \$1,400,000 as follows:
 - (i) \$500,000 at closing (the "Cash Payment"). The Cash Payment will be treated as 75% capital gains and 25% ordinary income for tax purposes.
 - (ii) \$250,000 per year for 2 years paid quarterly (\$31,250) beginning at the end of the 5th Quarter after the date of Closing (the "Deferred Payment"). The Deferred Payment will be

Key Components

- Offering price
- Anticipated close date
- Terms and payment structure – payment timeline
- Client / Asset retention targets
- “Clawback” Provisions
- Due diligence agreement
- Exclusivity

Deal Structuring - Example



What types of Capital Options are available?

Traditional Debt / Bank Financing

Equity Capital / Equity Swap

Revenue Participation / Earn Out

Seller Note



What is the right consideration mix?

Stock vs Cash

Optimal Timing of Payments

Clawback

Tax Implications



Q & A