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PRIVATE EQUITY TRANSACTION OVERVIEW

Comprehensive Story for
\$8.2MM CPA Firm

www.whitmantransition.com

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Presenter: Phil Whitman, CEO



When You Partner with a Strategic Investor Like Private Equity,

There Are 31 “Flavors” of Deals Waiting for You!



Whitman Transition Advisors has met with **221 strategic investors**—from private equity firms and family offices to venture funds and beyond. We know that every investor has unique goals, constraints, and preferred deal structures. In fact, **there’s far more to a PE transaction than just the multiple.**




















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- Proven track record guiding CPA firms through the complexity of strategic transactions—finding the right fit for your team, culture, and legacy.
- We help you maximize independence, value, and influence—regardless of the transaction size or structure.



The Strategic Investor “Flavor Menu”

 Private Equity	 Family Offices	 Pension Funds	 Venture Funds	 Bank Holding Co	 Wealth Management Firms
 ESOPs	 Rollover Equity at TopCo	 Rollover Equity at Local Level	 Rollover Equity at Both Levels	 Minority Equity Purchase	 Majority Equity Purchase
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 Foundational Firm	 EBITDA Creation	 EBOC Model	 Earn-outs	 Promissory Notes	 One Bite vs. Multiple Bites
 No Rollover Equity					

Ready to Taste the Possibilities?

Structure a deal that fits your firm as uniquely as your favorite ice cream. Contact us today to explore the full “menu” and find your perfect match!

FIRM OVERVIEW

- Revenue: \$8.2MM
- 5 Equity Partners
- Current Net Income Distributed:
46% (\$3.772MM)
- Exploring Private Equity
Recapitalization



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PARTNER GROUP OVERVIEW

Partner	Age	Compensation	Equity %	Years Remaining
Partner #1	67	\$1,300,000	62.5%	3 years
Partner #2	57	\$875,000	24.0%	11 years
Partner #3	63	\$725,000	12.0%	2 years
Partner #4	42	\$550,000	0.75%	25 years
Partner #5	37	\$322,000	0.75%	30 years

COMPENSATION SCRAPE ADJUSTMENTS

- PE estimated replacement cost: \$350K per partner
- Full scrape would create \$2,022,000 in EBITDA, However:
- Partner #3 requires \$450K (not \$350K)
- Partner #5 requires \$22K increase
- Adjustments impact leave-behind EBITDA



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PRE-TRANSACTION VS POST-SCRAPE COMPENSATION



Partner	Pre-Compensation	Post-Scrape
Partner #1	\$1,300,000	\$350,000
Partner #2	\$875,000	\$350,000
Partner #3	\$725,000	\$450,000
Partner #4	\$550,000	\$350,000
Partner #5	\$322,000	\$372,000



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ADJUSTED EBITDA CALCULATION

- Base Scrape EBITDA: \$2,022,000
- Adjustments:
- -\$100,000 Partner #3
- -\$22,000 Partner #5
- +\$185,000 Tech Implementation Addback
- +\$250,000 Retiring Partner Payments Ending
- -Interest Expense Adjustment (8.5%): \$21,760
- Final Adjusted EBITDA: \$2,313,240



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TRANSACTION VALUATION (9× EBITDA)

- Adjusted EBITDA: \$2,313,240
- Enterprise Value (9×): \$20,819,160
- Less: Cash Paid at Closing to pay off LOC: \$256,000
- Debt-free entity valuation: \$20,563,160
- PE Group to acquire 60% of Equity or:
- \$12,337,896
- \$8.2MM firm does not = \$8.2MM Valuation!
- \$8.2MM firm = \$20MM + Valuations! WOW!



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PAYOUT STRUCTURE

- Cash at Close (50%): \$6,168,948
 - Deferred Over 5 Years (50%): \$6,168,948
 - Deferred paid in equal installments annually
 - In some cases deferred portion to be increase by nominal interest rate factor
-
- In many transactions the deferred portion may be subject to attaining some increase in EBITDA and at the very least maintaining it.



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PARTNER PROCEEDS – CASH AND DEFERRED

Partner	Ownership %	Cash at Close	Deferred (5 Years)
Partner #1	62.50%	\$3,855,592	\$3,855,592
Partner #2	24.00%	\$1,480,548	\$1,480,548
Partner #3	12.00%	\$740,274	\$740,274
Partner #4	0.75%	\$46,267	\$46,267
Partner #5	0.75%	\$46,267	\$46,267

ROLLOVER EQUITY ALLOCATION – PRE-ADJUSTMENT

Partner	Ownership %	Rollover Equity (\$)
Partner #1	62.50%	\$5,140,790
Partner #2	24.00%	\$1,974,063
Partner #3	12.00%	\$987,033
Partner #4	0.75%	\$61,689
Partner #5	0.75%	\$61,689

TEV = \$20,563,160

Cash = \$12,337,896

Rollover = \$8,225,264

ROLLOVER EQUITY ALLOCATION – ADJUSTED TO SUPPORT YOUNGER PARTNERS

Partner	Adjusted Rollover Equity (\$)	Percentage
Partner #1	\$3,131,445	38.1%
Partner #2	\$1,202,475	14.6%
Partner #3	\$601,238	7.3%
Partner #4	\$1,645,053	20%
Partner #5	\$1,645,053	20%



WHY ADJUST ROLLOVER EQUITY TOWARD YOUNGER PARTNERS?

- Ensures long-term continuity and leadership stability.
- Aligns incentives for partners with the longest remaining runway.
- Protects Private Equity investor interests by securing future firm value.
- Balances fairness—senior partners maintain majority, while future leaders are empowered.
- Creates stronger retention and succession structure post-transaction.



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TRANSACTION WATERFALL – CASH, DEFERRED, AND ROLLOVER

- Enterprise Value: \$20,563,160
- Enterprise Value Acquired (60%): \$12,337,896
- Cash at Closing (50%): \$6,168,948
- Deferred Over 5 Years (50%): \$6,168,948
- Rollover Equity Value (40% of EV): \$8,225,264
- Total Consideration to Partner Group:
\$20,563,160



EXIT WATERFALL – 5-YEAR MODELED OUTCOME (EXAMPLE ASSUMING EBITDA DOUBLES)

- Exit Enterprise Value (14× EBITDA):
\$64,770,720
- Rollover Equity Ownership: 40%
- Estimated Value at Exit: \$25,908,288
- Partner Cash Proceeds at Exit (Rollover Only): \$18,135,802*

**Two young partners can only sell 25% of holdings. They will have remaining rollover equity of \$7,772,486*



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TOTAL PARTNER ECONOMICS

Partner	Cash at Close	Deferred	2nd Bit	Total	Add'l Deferred
Partner #1	\$3,855,592	\$3,855,592	\$9,871,058	\$17,582,242	
Partner #2	\$1,480,548	\$1,480,548	\$3,782,610	\$6,743,706	
Partner #3	\$740,274	\$740,274	\$1,891,305	\$3,371,853	
Partner #4	\$46,267	\$46,267	\$1,295,414	\$1,387,948	\$3,886,244
Partner #5	\$46,267	\$46,267	\$1,295,414	\$1,387,948	\$3,886,244
Total	\$6,168,948	\$6,168,948	\$18,135,801	\$30,473,697	\$7,772,488





PARTNER SUMMARY – WHY THIS DEAL WORKS FOR THE FIRM

- Liquidity event now with meaningful upside at exit
- Modernized compensation structure aligned with market
- PE support enables growth, acquisitions, and technology investment
- Retention of 40% equity ensures continued ownership
- Rollover equity gives younger partners a long-term wealth event



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How Partners of an \$8.2MM Firm End Up With \$30MM!!!

- Step 1: Partners receive cash at close (50%)
- Step 2: Partners receive deferred payments (50%) over 5 years
- Step 3: Rollover equity appreciates with firm growth
- Step 4: At exit (e.g., year 5), rollover converts into a second liquidity event
- Step 5: Combined proceeds frequently exceed 2–4× the initial payout



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