

CASE STUDY:
LEVERAGING CURRENT
BONUSES

OVERVIEW

A third-generation HVAC contractor with revenues at \$45M. Current second-generation owner wanted to exit in five years at age 60. Third generation was not capable of running the business as CEO, but could be part of an ownership group. A management team of five existed.

CHALLENGES

Current owner wanted 1.25 times book value as his buy-out upon his reaching age 60. We advised him that the buyout team would “dig in their heels” and not increase the company value because it would cause them to have to pay more for the company.

S|A|K FINANCIAL SOLUTION

Our interviews with the buying group revealed that all were willing to redirect their current bonuses in exchange for 50% of the increase in book value during the five-year buy-out period. The current owner also agreed to give the group 50% of any G&A savings to be credited to the buy-out, as well as a \$200,000 per year sinking-fund deposit to be used as part of his buy-out payment.

