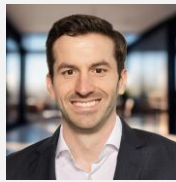


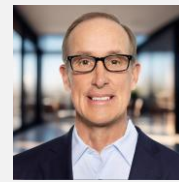


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## Professional Services M&A *Key Deal Considerations*

Professional services businesses thrive on the expertise, relationships, and reputation of their employees. When considering a sale or liquidity event, owners must recognize the sector's unique attributes and prepare for the complexities of the M&A process. Drawing on the extensive experience of G-Side Capital Advisors, this guide explores the critical factors that drive value and ensure a successful transaction outcome.

### SHAREHOLDER OBJECTIVES

The objectives and expectations of shareholders are foundational to the design and execution of any M&A process. Early, candid discussions among shareholders and with financial advisors are essential to align interests and avoid misunderstandings.

**Post-Closing Roles:** Determine whether each shareholder wishes to remain involved in the business after the sale or is seeking retirement. Clearly communicating these preferences to potential buyers from the outset helps prevent friction and ensures that individual goals are respected through negotiations.

**Future Partner Criteria:** Identify what matters most in a future partner. Is maximizing sale proceeds the primary goal, or do factors like company culture, work location flexibility, employee retention, and client relationship management take precedence? Articulating these priorities guides the selection of suitable buyers and shapes the transaction's structure.

**Buyer Risks and Exclusions:** Assess whether certain buyers—such as direct competitors or those with reputational risks—should be excluded from the process, even if they might offer attractive financial terms. Consider the implications of sharing sensitive information and weigh the potential for reputational harm against economic benefits. Decide whether to include or exclude such parties before the process begins.

Market Insights



# Professional Services M&A

## *Key Deal Considerations*

### EMPLOYEE CONSIDERATIONS

Key leaders and employees are the lifeblood of professional services firms, driving revenue and maintaining client relationships. Buyers will scrutinize the stability and commitment of these individuals.

**Identifying Key Leaders:** Map out who holds critical client relationships and drives business success. Understanding their long-term goals and positioning them strategically during the sale process enhances value and reduces transaction risk.

**Employment Agreements:** Ensure that all key leaders have industry-standard employment contracts, including non-compete and non-solicit clauses. Buyers typically require these agreements to be in place before closing and having them established in advance streamlines negotiations.

**Retention Bonuses:** Develop retention bonus plans for key employees, payable upon closing and subject to claw back provisions if an employee departs prematurely. Buyers often set aside part of the purchase price for these bonuses to safeguard client relationships and business continuity. Identify which employees should be included and determine bonus levels that will incentivize continued performance under new ownership.

### CLIENT CONTRACT DYNAMICS

The nature and structure of client contracts significantly influence a firm's value in an M&A transaction.

**Contract Types and Revenue:** Analyze the proportion of annual revenue derived from long-term, recurring contracts versus short-term, project-based agreements. Highlighting recurring contracts and their key terms increases buyer confidence and perceived value. For project-based work, emphasize the strength and longevity of client relationships to demonstrate recurring revenue potential.

**Upcoming Renewals:** Identify any material contracts nearing renewal. For long-term contracts, assess the risk of non-renewal and consider timing the sale process to avoid losing key contracts during due diligence. For short-term contracts, plan how to replace revenue and proactively manage buyer concerns.

**Change-of-Control Provisions:** Review contracts for clauses requiring client consent or notification in the event of a change of control. Buyers will expect formal consents from material clients, and any risks associated with these provisions should be addressed early in the process.



# Professional Services M&A

## *Key Deal Considerations*

### TRANSACTION STRUCTURE OPTIMIZATION

Professional services M&A deals often feature unique structures to account for the sector's reliance on people and relationships.

**Compensation Adjustments:** Many professional services businesses are structured as partnerships and compensation levels vary from firm to firm. To bring compensation levels in line, buyers often insist on lower go-forward compensation for the seller's partner-level employees. A corresponding positive adjustment to EBITDA should factor into the negotiations and result in a higher valuation and potentially more cash paid at close.

**Earn-Outs:** Transactions frequently include earn-outs, where part of the valuation is paid at closing and the remainder is contingent on achieving future financial metrics. This structure acknowledges the uncertainty around employee and client retention post-sale. Educate shareholders about the likelihood of proceeds being paid over time and negotiate earn-out terms that protect the seller's interests.

**Negotiating Metrics and Protections:** Carefully define the financial metrics that trigger earn-out payments and negotiate buyer commitments to support the selling company's ability to meet these targets. An experienced advisor can create competitive tension, maximize cash at closing, and secure seller-friendly protections in the transaction documents.

### PREPARATION AND ADVISORY SUPPORT

Thorough planning and early action on these considerations will facilitate a smoother, more successful sale process. Engaging a financial advisor with deep sector experience is highly recommended to guide preparations and negotiations.

For further discussion or personalized advice on the M&A markets, process and planning for professional services businesses, please contact **Bob Snape** ([bsnape@greensideca.com](mailto:bsnape@greensideca.com)) or **Eric Higgins** ([ehiggins@greensideca.com](mailto:ehiggins@greensideca.com)).



G-SIDE CAPITAL  
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## Professional Services M&A *Recent Transaction*

Market Insights

### **Real Foundation, Inc.**



HAS BEEN ACQUIRED BY

### **Newmark Group, Inc.** **(Nasdaq:NMRK)**



G-Side Capital Advisors (“GCA”) served as the exclusive financial advisor to Real Foundation, Inc. (“RealFoundations”), a leading global professional services firm focused solely on the real estate industry through its management consulting and managed services, based in Dallas, Texas, in its sale to Newmark Group, Inc. (Nasdaq: NMRK) (“Newmark”), a leading global commercial real estate advisory firm.

GCA partnered closely with RealFoundations’ leadership and shareholders to understand all

objectives and designed and executed a highly competitive, time-controlled M&A process that exceeded expectations. GCA positioned the business for long-term growth via a combination with Newmark. The transaction underscores G-Side Capital’s continued work with entrepreneur-owned and founder-led companies in the professional services ecosystem.

Chris Shaida, Founder and CEO of RealFoundations commented, “Bob and Eric invested significant effort at the outset to thoroughly understand our shareholders’ goals and objectives and the qualities that set RealFoundations apart. They skillfully positioned our company as a rare and valuable asset within a thoughtfully structured process. G-Side’s 24/7 commitment, superior technical expertise, and effective coordination of all workstreams and advisors, ensured swift, seamless execution.”

### **About G-Side Capital Advisors**

G-Side Capital Advisors provides strategic and M&A advisory services to entrepreneur-owned and founder-led businesses across the middle market. The firm brings senior level execution, deep sector expertise, and a tailored approach to every engagement.