

The Playbook for Winning Business Owners



For Financial Advisor and Broker Dealer
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Business owners are the best at running their businesses. But most of them need help planning for what comes next. That's where you can help.

Our wealth planning services and Client Portfolio Management teams are dedicated to helping you help your business owner clients and deliver bespoke, personalized services.



Unlock the business owner opportunity

Use this guide for everything you need to know to find and serve business owner clients.



Prospecting business owners

Find business owners, understand their mindset and challenges, and help them plan for success.



Optimizing the sale

Be a trusted guide for pre- and post-sale planning, structuring, valuations, and managing proceeds.



Partnering for success

Utilize Clark Capital's expertise and capabilities to help clients navigate the complexities of business ownership.



Business owners: An opportunity

33M

Small businesses in the United States¹

\$10T

Value of business assets that is expected to change ownership over the next decade²

80%

Percentage of business owners who do not have written plans to transfer ownership of their business³

12M

Number of businesses that will change hands in the next 10-15 years²

80%-90%

Percentage of business owners who have their financial wealth locked up in their business⁴

\$1.2M

Average AUM of a new business owner *before* business sale⁵

¹ Source: "The State of Small Business Now," U.S. Chamber of Commerce, 2023

² Source: "The Current Rise in Small Businesses Being Sold Over the Next 10-15 Years," SCORE, December 2022

³ Source: "Exploring Exit Planning Trends from the 2022 Business Owner Survey," Business Planning Institute, January 2023

⁴ Source: "The biggest mistakes owners make when selling their business," CNBC, December 2020

⁵ Source: BizEquity.com



Prospecting business owners

In this section, you'll find:

Prospecting ideas

The mindset of business owners

Where to find business owners

Key questions and terms you should know to open the conversation



Understanding the business owner



Who they are:

- 1 Focused on running their business
- 2 Accustomed to making decisions and giving direction
- 3 Have little time for anything outside of their business

50%

As many as 50% of business owner exits are involuntary due to death, divorce, disability, distress, or disagreement.¹



¹ Source: "The biggest mistakes owners make when selling their business," CNBC, December 2020

Understanding the business owner

Where they may need help:

- ✓ Conceptualizing their exit from the business
- ✓ Emotional support accepting the reality of exiting their business
- ✓ Understanding the real value of their business
- ✓ Vetting family members to understand the likelihood of taking on the business
- ✓ Finding potential buyers (outside the family) for their business
- ✓ Understanding different types of buyers in the marketplace
- ✓ Ensuring their business is structured properly for eventual sale
- ✓ Understanding the potential tax consequences
- ✓ Executing the sale of their business
- ✓ Creating a vision for their future and managing the proceeds after the sale



Prospecting

Finding business owners

You may already know more business owners than you realize.

Here's how to find them:

- Establish relationships with centers of influence involved with business owners, such as CPAs and attorneys
- Tap into community and service organizations
- Join your local chamber of commerce
- Consider charitable and nonprofit boards you're associated with
- Connect with owners of local businesses you frequent, such as coffee shops, restaurants, and other service providers
- Leverage your own network of family, friends, and colleagues



Prospecting

How to open the conversation

When opening the conversation, advisors should ask questions that help articulate how they can help create value around what business owners have worked so hard to achieve.

Have you thought about how long you plan to remain actively involved in your business?

Have you considered your exit plan from the business?

How much do you think your business is worth today?

Have you taken steps to ensure that your business is structured properly for sale?

If you were to sell your business, what do you envision your future to look like?

Clark Capital does not provide tax or legal advice. There are important tax and legal considerations when selling a business. Please consult a tax and legal professional prior to selling a business.



Speak their language

To better connect with business owners, you should be fluent in their terms. Here are a few to know ahead of a conversation.

Source: Investopedia



Antifragility

A business that avoids relying on any one product or strategy, instead leveraging multiple avenues for growth and limiting downside potential is considered antifragile.

Book value

The value of a business that is determined by subtracting total liabilities from total assets.

Discounted cash flows (DCFs)

The estimated value of a business calculated using its expected future cash flows. It is often used to determine the value of a business today based on future profit projections.

EBITDA

Defined as Earnings Before Interest, Taxes, Depreciation, and Amortization, it is a measure of a company's performance, usually multiplied by a factor to determine the current market value of a business.

Earnings estimates

Predictions of a business's future quarterly or annual earnings – arguably the most important input when attempting to value a firm.

Earnings multiplier

A metric that frames a business's value in terms of the company's earnings per share (EPS) of stock. Also known as the price-to-earnings (P/E) ratio, the earnings multiplier can be used as a valuation tool to compare companies.

Prospecting

Speak their language

(continued)

ESOP

Employee Stock Ownership Plan is an employee benefit that gives ownership interest in the business in the form of stock shares.

Key man risk

The risk of one or a few employees of a business having knowledge, skills, or important relationships that, if they were to leave the business, would have a significant detrimental impact on the business.

QSBS

As defined by the Internal Revenue Code 1202, a Qualified Small Business is a C-corporation whose gross assets do not exceed \$50 million as stock issue. QSBS are stock shares of those companies.

Times revenue method

A valuation method that uses a multiple of current revenues to determine the maximum value of a particular business.

Source: Investopedia



Optimizing a business sale

In this section, you'll find:

Key considerations for helping a client plan for a sale

What to know when helping a client sell their business

Ideas to help clients manage their post-sale proceeds



Optimizing the sale

Pre-sale considerations

The biggest challenge with a business sale is failure to plan. The earlier you can begin working with a business owner client ahead of the sale, the better.

Things to consider before helping your client sell a business:

- 1 Treat the idea of a sale with care. Most of the owner's value is likely in their business and selling is a personal and often emotional process.
- 2 Get started as early as possible. Ideally, beginning planning two to five years ahead of the sale can help maximize the results.
- 3 Ensure that the client has a strong team of professional advisors, including a CPA, M&A attorney, and estate planning attorney.
- 4 Educate the client about different types of potential buyers in the marketplace, such as sales to private equity, sales to strategic buyers, and employee or management buyouts.



Optimizing the sale

Pre-sale considerations

(continued)

- 5 Be mindful of the tax implications and ensure the business is structured to avoid unnecessary tax liabilities.
- 6 Discuss any estate planning or gifting considerations they may have or want to put into place.
- 7 Partner with a trusted provider for a current and reliable valuation of the business. Help the client gather the necessary information to ensure accuracy.
- 8 Identify any potential obstacles or roadblocks to a successful sale, such as partial owners, family members, financial issues, or credit problems.



Document checklist

Be sure that the necessary documents are gathered for the sale.

- ✓ Tax returns (business and personal)
- ✓ Forecast reports
- ✓ Business operating agreement
- ✓ Capitalization table
- ✓ Key service contracts
- ✓ Corporate record book
- ✓ Revenue/cash flow/accounting reports
- ✓ Debt/credit/bank information
- ✓ Trademark/copyright/patent information
- ✓ Insurance information (business and personal)
- ✓ Property documents
- ✓ Employee census
- ✓ Inventory list
- ✓ Regulatory filings



Business valuations

We recommend getting a professional business valuation, but for general discussion purposes, the formula is straightforward.¹

STEP 1

Calculate your client's EBITDA

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is commonly calculated over an average trailing period of 12, 24, or 36 months. Be sure to include positive and negative adjustments to the value, such as one-off non-trading expenses or compensation adjustments.

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STEP 2

Determine the market rate multiple

Varies based on factors like timing or industry. To use a general multiplier, consider 4-5 as a low end and 8-10 as a high end. *Click here* to find your client's industry multiplier as calculated by New York University Stern School of Business.²

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STEP 3

Multiply EBITDA by the multiplier to estimate the business value

Work with a trusted valuation provider or a CPA with an Accredited in Business Valuation (ABV) designation to obtain the most accurate valuations.

Example: \$1,300,000 (EBITDA) x 7 (average market rate multiple) = \$9,100,000 (estimated sale value)



¹ Source: M&A Demystified – Chapter One: The Napkin Valuation Method, Rick Palmer on LinkedIn, May 2023.

² Source: Enterprise Value Multiples by Sector (US), NYU Stern School of Business, January 2023.

Optimizing the sale

Structuring the deal: Key considerations

While every business sale is unique, our experience has shown that the most successful sales have a few shared ideas.

- Ensuring the business is structured properly for tax purposes
- Understanding whether the client plans to own another business
- Deciding whether the business and the property it's on should be kept as separate entities
- Selling the business as an entity or as assets, which have significant tax differences
- Considering the resulting liquid assets from the sale that could subject the client to estate taxes
- Leveraging trusts to help ensure the client's wealth is distributed as they wish
- Factoring in estate taxes, which vary by state and can have a significant impact on wealth



Post-sale considerations

Business owners with new financial considerations and lifestyle changes need your help.

After the sale, advisors can work with clients to create customized wealth strategies to meet their needs.

- What type of lifestyle considerations does the client expect to have that will impact the proceeds?
- Which living and lifestyle expenses were paid for by the business that will now need to be covered by the client?
- How much income and living expenses will be needed?
- What are the long-term goals for the assets?
- What, if any, are future wealth transfer plans?
- Are there any charitable intentions?
- Will the client be buying or starting another business?

Additionally, in certain situations, advisors may be able to work with the new owners of the business for retirement planning.



Partnering with Clark Capital for success

In this section, you'll find:

Ways to help clients navigate a sale with comprehensive advanced planning capabilities

How an experienced, consultative partner may help you attract more business owner clients



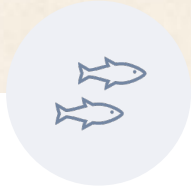


At Clark Capital, we understand your business.

As a 100% employee-owned firm, we partner with financial advisors like you to help ensure the success of business owners with personalized solutions, experience you can trust, and exceptional service.



Unlock opportunities with an experienced, consultative partner



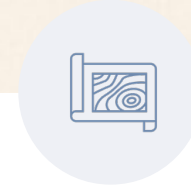
Partnership

We work alongside you and your client throughout the process – from pre-sale through post-sale and beyond.



Resources

We give you access to tools and information on relevant topics to help you meet the needs of your clients.



Experience

We have spent the last 35 years helping advisors serve their clients.



Partnering for success

Access comprehensive wealth planning capabilities

We are a holistic planning partner with deep experience helping advisors and their business owner clients manage their wealth with a breadth of strategies.

Clark Capital's full suite of advanced wealth planning services are available to household accounts \$10 million and above, at no additional cost to the advisor or client. Clark Capital does not provide tax, legal or accounting advice. Investors should consult with their personal tax, legal and account professional before engaging in any transaction. There are important tax and legal considerations when selling a business. Please consult a tax and legal professional prior to selling a business.



- ✓ **Wealth management strategies**
A range of personalized investment solutions and services designed to meet the unique needs of high net worth investors with \$10 million or more of investable assets.
- ✓ **Tax management strategies**
Taxes are a top concern among investors, especially business owner clients and those in the high net worth space. Our investment and tax specialists can help you and your clients effectively manage taxes.
- ✓ **Income solutions**
The sale of a business is a significant life event. The right income solutions can help ensure clients have the income they need, for as long as they need it, following the sale.
- ✓ **Charitable strategies**
Part of managing the proceeds from a business sale may include charitable giving. We can help you explore charitable giving strategies for your clients.

Who is Clark Capital?

Clark Capital is committed to investment management excellence for better outcomes.

Past performance does not guarantee future results. Please see attached disclosures for more information. The ranking shown above is not indicative of future performance and may not be representative of any one client's experience because it reflects an average of, or a sample of all, the experiences of the adviser's clients.

*As of 12/31/2023, includes sub-advised assets and assets under advisement

**Money Management Institute (MMI) and Barron's



1986

Year founded



\$34.3B

AUA*



26

Investment professionals



100%

Family and employee owned



141

Employees



25.3

Investment team average years of experience



3x Winner

2020-2022

Asset Manager of the Year**



10.3

Investment team average years of working together



Get in touch

Have a business owner prospect?
Get in touch to see how we can help.

**For more information, call 800-766-2264
and speak to a Relationship Manager.**



Important disclosure; please read.

Money Management Institute and Barron's selected finalists for both Asset Manager of the Year (\$10 – \$50 billion) and Distribution Excellence by the specially appointed MMI Industry Awards Steering Council and the MMI Membership Experience Committee (MEC). Award winners were determined by a vote of primary contacts at each member firm. These individuals received an online ballot to cast their votes among the finalists. These awards are not indicative of Clark Capital's future performance nor may it be representative of any one client's experience. Lipper Fund Awards from Refinitiv, ©2020 Refinitiv. All rights reserved. Used under license. The Navigator Tactical Fixed Income Fund, Class I (NTBIX) received a Refinitiv Lipper Award for the Best Fund over the past 5 years in the Alternative Credit Focus Fund category among 27 funds. The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award.

Investnet, Inc. (NYSE: ENV) and Investment Advisor magazine selected finalists for the 13th Annual Separately Managed Account (SMA) Manager and Strategist of the Year Awards using Investnet | PMC's proprietary, systematic, and multi-factor methodology for evaluating managers. This framework takes a variety of qualitative and quantitative criteria into consideration, such as investment process and style, performance, firm profile, customer service, and tax efficiency. To qualify for an SMA Manager and Strategist of the Year Award, a manager's team must have at least three years of experience running a strategy with \$200 million or more in assets. A manager's product is also required to be reported through Investnet | PMC's Premium Research solutions, which includes more than 54,000 advisors and 2,500 companies including: U.S. banks, wealth management and brokerage firms, Registered Investment Advisers, and Internet services companies. The Thomson Reuters Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Lipper Fund Award. For more information, see lipperalpha.financial.thomsonreuters.com/lipper. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper.

The PSN universes were created using the information collected through the PSN investment manager questionnaire and use only gross of fee returns. Mutual fund and commingled fund products are not included in the universe. PSN Top Guns investment managers must claim that they are GIPS compliant. Products must have an R-Squared of 0.80 or greater relative to the style benchmark for the ten year period ending December 31, 2017. Moreover, products must have returns greater than the style benchmark for the ten year period ending December 31, 2017 and also Standard Deviation less than the style benchmark for the ten year period ending December 31, 2017. At this point, the top ten performers for the latest 10 year period ending December 31, 2017 become the PSN Top Guns Manager of the Decade. This designation may not be representative of any one client's experience because the rating reflects an average of all, or a sample of all, the experiences of investors in the strategy. Though the strategy was in the top ten, it was not ranked first in the top ten category for each period. The relative strength measure is based on historical information and should not be considered a guaranteed prediction of market activity. It is one of many indicators that may be used to analyze market data for investing purposes. The relative strength measure has certain limitations such as the calculation results being impacted by an extreme change in security price. Important disclosure; please read.

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