

Is An Investment From McKenzie Group Right For Us?

*Exploring the unique business unlock in the form of
a minority equity investment*



MCKENZIE GROUP

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McKenzie Group's Barristers Fund

Our Barristers Fund is an income oriented private equity vehicle that partners with lawyers to play the long game. We acquire minority stakes in mature, robust, profitable, small to medium sized legal businesses for slightly old-fashioned reasons – income, wealth preservation and sustainable capital growth.

Partnership

Marrying business acumen with incredibly talented lawyers is a recipe for success. We are in it together. We are here to collaborate rather than dictate.

Long term horizons

We are very patient capital. We invest with an indefinite time horizon and with the aim of building sustainable and long lasting growth

Money off the table

You can take money off the table for liquidity and diversification without sacrificing your long term income and distributions.

Business Family

Our network is formidable. We have done this before and can make the necessary connections to ensure you succeed in legacy building.

Rare in law, but popular among other professional services.

Private equity firms are increasingly acquiring or investing into physician practices, CPA firms, wealth management groups, dentists, vets, and other professional services. As the latest professional service to attract private equity, in 2020 alone, over \$80B was invested into CPA firms.

These other professional services have seen the incredible benefits private equity can bring their business, but why not law firms?

While there is precedent of outside investment into law firms in the UK and Australia, most states, through the adoption of an ABA Model Rule, strictly prohibit lawyers from forming partnerships with non-lawyers and prohibits non-lawyers from investing in law firms.

As such, only a licensed lawyer or group of licensed lawyers can invest in and/or aggregate law firms, and the average attorney is not thinking of a way to invest into, rather than work for, a firm.

But our investment group, which consists entirely of licensed attorneys, wants to unlock these same incredible benefits in the legal space.

Is your firm a fit?

Firm Profile*:

- \$3-\$12m top line revenue
- 5+ partners
- Geographically specific focus at present, but geographically scalable practice area(s)
- Repeat clientele (rather than single purpose/event)

Firm Goals:

- Aspire to grow and build the practice
 - *Not looking to exit*
- Desire to run the firm like a business and delegate certain business functions
- Open to M&A to fuel growth

Supporting Common Firm Goals

Not just capital, but strategic capital

- ✓ Implement new business development tactics.
- ✓ Better integrate technology, AI & outsourced services.
- ✓ Maintain culture while increasing recruiting efforts & attracting future firm leaders.
- ✓ Access committed capital & assistance identifying, acquiring, and integration potential acquisition targets.
- ✓ Help & oversight in driving operational efficiencies without full time COO/CEO.

Tapping Additional Revenue Streams

The practice of law can bring more to a firm than fees. It brings a strong network, insider views and a cash flow base from which smart firms can multiply the wealth of their partners.

- ◆ Investment Opportunities / Fund Affiliation
- ◆ Ancillary Business Service Revenue
- ◆ Real Estate / Office Ownership

McKenzie Group was borne from legal services and expanded into so much more. With an entrepreneur's eye for opportunity the same can be said for your firm.

The Investment Math

Sample Investment Structure

GIVE UP: 30% of the firm equity (i.e. giving up 30% of your firm profit each year)

RECEIVE:

◆ **3x** the compensation that you gave up in the form of:

- ◆ pro rata up front payments
- ◆ additional guaranteed distributions in following years
- ◆ working capital infused into the business to grow total profit

The Investment Math...continued

Firm Revenue	\$ 8,500,000
Total Partner Compensation (Pre-Investment)	\$ 2,125,000
Total Number of Partners	5
Comp Reduction (30% x 2,125,000)	\$ 637,500
Reduced Comp Per Partner	\$ (127,500)
Multiple on Reduced Comp	3
Transaction Value (3 x 637,500)	\$ 1,912,500
Proceeds of Transaction per Partner	\$ 382,500

Based on the anticipated operational efficiencies and revenue growth, the expectation is that you would never earn less than you currently do.

In fact, we estimate that partners would earn anywhere from **115% to 155%** of their current compensation over the course of the next 7 years.

Track Record of Success

Our last investment search, through an affiliated company, McKenzie Ventures, spurred from a place that Colby McKenzie had familiarity with from his time as an M&A attorney – the out of home advertising industry (think billboards).

Through industry specific networking, he found a small digital signage operator (i.e. billboard, but on a TV screen) out of Bowling Green, KY. The SMB operator was hardware driven (low margin) and did not have a clearly differentiated software solution. However, they had a scalable infrastructure and well developed, low cost software solution. This infrastructure would allow them to scale rapidly and more cost effectively into new industries/verticals.

TACTIC: EXPANDING A SOUND SOLUTION/SERVICE INTO A NEW HIGH GROWTH MARKET.

McKenzie entered the deal through partnership with the business owner and the creation of a “newco” via spinoff from the established digital signage company. This project was outside funded to accelerate its growth in the selected industry. McKenzie was heavily involved in supporting the operation of the newco in close partnership with the legacy company owner. Over 5.25 years McKenzie scaled the business's operation in the new industry and integrated three tuck-in acquisitions to become the market leader. Newco was sold in 2022 to a strategic acquirer for 7x the legacy company’s LTM revenue at the time of the spinoff, demonstrating massive growth and generating **generational wealth to the business owner**.

Business Owner Earnings Profile

Affiliation	Partnered w/ MV in 2016
Retained Ownership	Newco - ~30% Original Business - 100%
Money Made Off MV Partnership	Broke revenue record every year. More than <u>doubled</u> * expected earnings over the life of the partnership. *Newco sale yielded owner >500% of his historic earnings while generating >100% of original earnings in each year of partnership.

Founder Profile

Over the last 10+ years, Colby McKenzie has carefully aggregated experience across several chapters of his career that uniquely position him to succeed in efficiently scaling a law firm. His career spans the practice of law, venture/PE investing and strategy and operations roles.

- ◆ M&A attorney at Vault Top 20 firm, executing acquisitions and roll up strategies for some of the top funds in the US.
- ◆ Founder, scaling a venture-backed tech startup to a mid-eight figure exit in 5 years.
- ◆ Seasoned operator of high growth private and public companies, successfully executing strategic growth strategies, including significant inorganic growth via acquisition.
- ◆ Led acquisition integration strategy across three operational roles in the last 5 years.
- ◆ Controlled talent acquisition function since his time on the hiring committee at former firm.

