

The Roll In and Multiple Expansion

An ownership strategy for mortgage brokerage founders

Why exchanging part of a smaller business for participation in a larger platform can alter the economics of ownership.

A founder does not always have to choose between owning 100% of a smaller brokerage and selling 100% of it.

FOUNDERS
BUILD
TOMORROW

AP | ADVISORY
THE PRIVATE STRATEGIC OFFICE™

SUCCESSION
PLANNING IS
BUSINESS STRATEGY

WHAT THE FOUNDER IS REALLY EXCHANGING

100% OF A SMALLER ASSET

Concentrated ownership.
Limited buyer universe.
Founder-dependent value.

PEOPLE
CLIENTS
REVENUE
REPUTATION
RISK

MORTGAGE BROKERS

A STAKE IN A LARGER PLATFORM

Partial liquidity.
Diversified exposure.
Participation in future enterprise value.

PEOPLE
BRAND
SCALE
SYSTEMS
CAPITAL
OPPORTUNITY

AP

The roll-in is not simply a sale. It is a change in what you own.

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Partial liquidity and platform equity can change what a founder owns. The outcome depends on the platform and transaction terms.

ASH PLAYSTED, CEPA®

Principal Advisor | AP Advisory

The Private Strategic Office™

Ownership beyond the first transaction

A roll-in can combine an immediate liquidity event with continued equity participation in a larger enterprise. For a mortgage brokerage founder, the decision is therefore about more than the sale price of the existing business. It concerns the quality of the asset the founder will own after the transaction and the conditions under which that ownership can create value.

This paper examines the mechanics of that exchange, the sources of potential multiple expansion and the risks that determine whether the structure improves a founder's position. Its central conclusion is that scale creates an opportunity for value creation only when the platform becomes a stronger business, with durable earnings, capable management and effective governance.

The strategic implications

The first transaction need not end ownership. A founder can realize part of the value already created while retaining exposure to the platform's subsequent performance. The amount reinvested and the rights attached to that equity are central to the decision.

Multiple expansion must be supported by enterprise quality. Acquisitions, organic growth and improved operating capability can reinforce one another. A larger group does not automatically deserve a higher valuation multiple.

The retained equity is a new investment decision. Platform leverage, dilution, governance, integration capability and the timing of future liquidity can materially change the outcome. A favorable headline valuation does not resolve those questions.

Founder objectives remain the starting point. Independence, professional management, minority capital, a complete sale and a roll-in should be compared against the owner's business, personal and financial priorities.

The roll-in is a change in what you own.

The numerical example in this paper is hypothetical and explains the mechanism. It is not a statement of current market multiples or a forecast of investment returns. The analysis reflects AP Advisory's strategic perspective.

A third ownership pathway

For many brokerage founders, the familiar ownership choices are to remain independent or sell the business. That binary framing can obscure a third possibility: the roll-in, a structure used in buy-and-build strategies.

The third possibility is the roll-in. A founder sells or contributes a business into a larger platform, takes some value off the table, and rolls a portion of the proceeds or ownership into the new parent entity. The founder has therefore not simply sold a company. They have changed the asset they own. Instead of holding 100% of one smaller, concentrated business, they may hold cash plus a meaningful stake in a larger and potentially more valuable enterprise.

This distinction matters because enterprise value is not linear. A business producing \$1 million of sustainable earnings is not automatically worth exactly one tenth of a business producing \$10 million. Larger, high-quality businesses can attract a broader buyer universe, greater institutional interest, more financing options and, in many markets, higher valuation multiples. When that occurs, earnings growth and multiple expansion can compound.

In my work with brokerage founders, I use a simple way of framing this logic: smaller companies are plentiful and often trade at lower multiples; larger, well-built companies are rarer and can trade at higher multiples. The platform acquires good smaller businesses, combines them, grows earnings, improves margins and creates something more valuable than the pieces. Founders who roll equity into the platform can participate in that next stage rather than treating the first transaction as the end of the story.

For mortgage brokerage founders, this is worth understanding because the industry contains many successful, profitable businesses that are excellent practices but remain too small, too founder-dependent or too operationally narrow to command the attention of larger pools of capital. That does not make them poor businesses. It means the market may price them as small businesses. The valuation constraint may therefore reflect the scale and structure of the asset as well as the quality of the underlying business.

The roll-in is not simply a sale. It is a change in what you own.

From one brokerage to platform equity

When founders hear 'rollover equity,' many imagine that they have sold 70% of their existing company and kept 30% of the same thing. That can happen in some structures, but the model examined in this paper is different: the founder sells the business and reinvests a portion of the value into the parent or holding company. Economically, the founder has moved from owning one operating company to owning part of the platform that may acquire many operating companies.

That shift changes the risk-and-reward architecture. Before the transaction, the founder's wealth may be highly concentrated in a single brokerage whose revenue, culture, referral channels, leadership and succession are tightly connected to one organization and often to one individual. After a properly structured roll-in, the founder may have converted part of that illiquid value into cash while retaining exposure to a larger pool of earnings, a broader management team, more customers, more producers and a more diversified operating base.

The founder has not necessarily reduced ambition. In many cases, the founder has changed the vehicle through which ambition is expressed. The question is no longer only, 'How large can I make my brokerage?' It becomes, 'What happens if the business I built becomes one of the foundation assets inside a platform that can become materially larger than I could reasonably build alone?'

A roll-in should not be confused with retirement. A founder might remain as a significant producer, a regional leader, a board member, a strategic partner, a rainmaker or an acquisition sponsor. Or they may deliberately step back. The correct role depends on the founder, the platform and the transaction. The point is that ownership, employment, identity and leadership do not have to be collapsed into one decision.

The ownership question changes from percentage alone to the quality, scale and future potential of the asset underneath that percentage.

The distinction to establish

Retaining 30% of an operating company is different from investing 30% of sale proceeds in a parent company. A founder should establish which entity issues the equity, how that entity is valued and what economic and governance rights the security carries. The percentage of proceeds rolled over is not the same as the percentage ownership acquired in the platform.

The mathematics of retained equity

Rollover equity allows a founder to take liquidity in the first transaction while retaining exposure to the next phase of value creation. The exact percentages vary. Seventy percent cash and thirty percent rollover is an illustration, not a rule.

Suppose, purely for illustration, a brokerage produces \$1 million of normalized EBITDA and is valued at 5 times earnings, giving it an enterprise value of \$5 million. Assume no net debt or surplus cash and no working-capital adjustment, so the illustrative equity value is also \$5 million. A complete sale would deliver \$5 million before tax and transaction costs.

Now imagine a different structure. The founder receives 70% of the value in cash and rolls 30% into equity in the platform. On the simplified numbers, that is \$3.5 million of liquidity and \$1.5 million of ongoing equity exposure. The founder has realized part of the business value in cash but remains exposed to the platform through the rolled equity.

What happens next determines whether the strategy works. The platform acquires additional quality brokerages, grows organically, improves margins, strengthens management, professionalizes reporting and builds an organization capable of operating at a scale none of the individual firms could reach alone. If the platform eventually produces a 3.0x gross money multiple on the founder's rolled equity, the original \$1.5 million rollover becomes \$4.5 million. Added to the initial \$3.5 million of liquidity, the founder would receive \$8 million of gross proceeds across the two stages rather than \$5 million at the first transaction.

Illustrative economics	Complete sale	70/30 roll-in
Initial enterprise and equity value	\$5.0m	\$5.0m
Cash at first transaction	\$5.0m	\$3.5m
Equity rolled into platform	\$0	\$1.5m
Later proceeds at 3.0x rolled equity	\$0	\$4.5m
Total gross proceeds across both stages	\$5.0m	\$8.0m

Assumes no net debt, surplus cash or working-capital adjustment. Before tax, transaction costs, dilution and other adjustments. No interim distributions or reinvestment return on the initial cash are modeled. The 3.0x is a gross money multiple, not an annualized return; no holding period is assumed.

This outcome is hypothetical. The rolled equity could return less, remain illiquid for longer than expected, be diluted, or lose value. Leverage can amplify downside as easily as upside. Tax treatment matters. Governance matters. The rights attached to the equity matter. The platform's entry and exit multiples matter. So do the people running it. The example illustrates the mechanism: the first payment and the ultimate economic outcome do not have to be the same event.

Where multiple expansion comes from

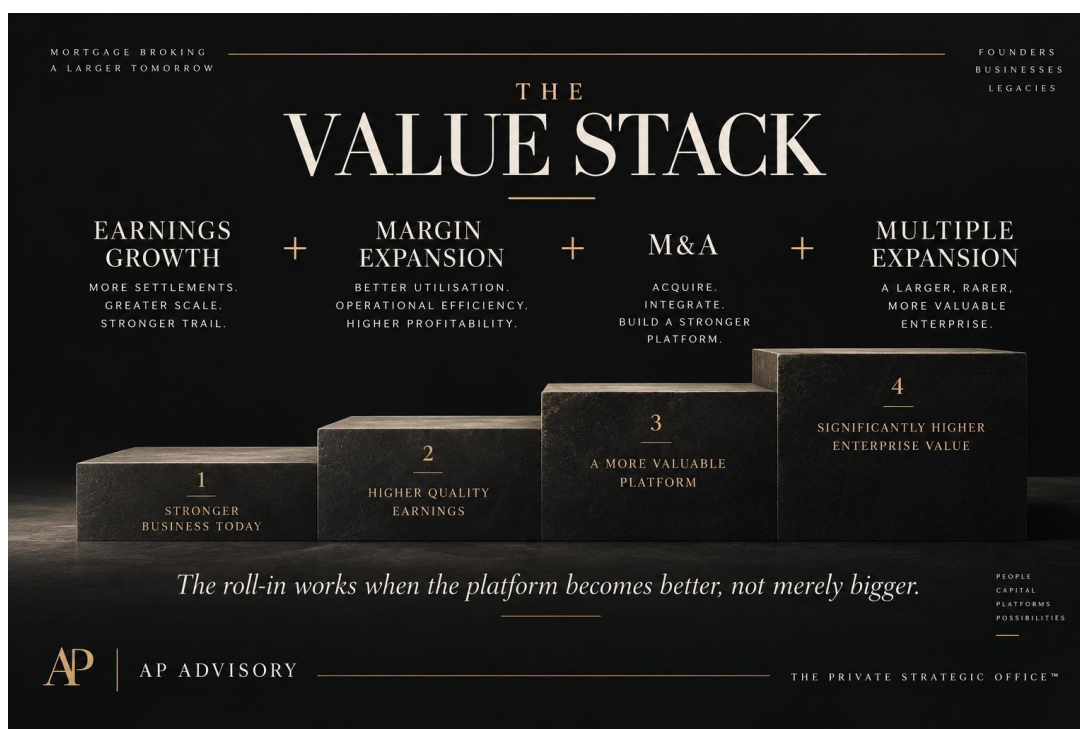
The shorthand 'buy at 5, sell at 8' illustrates the potential for multiple expansion, but it is not a complete investment thesis. A platform does not deserve a higher multiple merely because someone has drawn a circle around a group of businesses and given the circle a new name.

The larger business has to become a better asset. It needs more durable earnings, stronger leadership, superior reporting, a repeatable operating model and a credible growth trajectory. It needs to be easier for a sophisticated buyer to understand, finance and govern. It must demonstrate that scale has created operating leverage rather than simply additional complexity.

In mortgage broking, that can mean taking functions that are weak or duplicated at the individual-firm level and making them institutional. Finance. Compliance. Technology. Data. Recruitment. Marketing. Training. Succession. Management information. Acquisition integration. Leadership development. Capital allocation. None of those are glamorous. Collectively, they are what turns a collection of practices into a platform.

The platform must also continue to grow organically. This is a critical point in the framework I use with founders. M&A can accelerate scale, but buyers generally do not want to purchase a pile of acquired revenue with no evidence that the underlying business can still win customers, retain talent, increase productivity and expand margins. The best buy-and-build businesses demonstrate both: they know how to acquire, and they know how to operate.

Multiple expansion can reflect a change in the quality and strategic relevance of the asset: greater scale, stronger management, more predictable earnings, better transferability and a capacity to deploy additional capital. Where a higher multiple is achieved, it should be supported by those characteristics rather than assumed from size alone.



The original AP Advisory value-stack graphic illustrates potential drivers, not an additive formula or guaranteed outcome. Earnings growth includes the effects of margins and acquisitions; benefits must not be counted twice.

The opportunity in mortgage broking

Mortgage broking has several characteristics that make the roll-in idea particularly thought-provoking. Many firms have recurring trail income. Many are profitable. Many have loyal clients and referral partners. Yet a considerable amount of enterprise value remains attached to individual founders, producers, relationships and local operating systems.

That combination can produce a peculiar outcome. A brokerage may be a very good business for the founder and still be a relatively narrow asset for an institutional buyer. It can generate excellent cash flow but have limited management depth. It can have a valuable trail book but weak succession architecture. It can have extraordinary client trust but that trust may sit predominantly with one person. It can be commercially successful while remaining structurally difficult to scale.

A roll-in platform has the potential to alter those economics because it can separate what should remain local from what benefits from scale. Founder relationships, local reputation and entrepreneurial energy can remain close to the customer. Infrastructure, governance, capital, analytics and selected support functions can become institutional. That is the attraction when the model is designed well.

The founder therefore does not need to view scale as a choice between independence and bureaucracy. There is a more sophisticated design question: what should remain entrepreneurial, and what should become institutional? The answer is rarely 'everything centralized' or 'nothing centralized.' The value is usually in the architecture between the two.

For a mature brokerage founder, the strategic implication is significant. You may not need to spend another decade trying to build every capability yourself. You may not need to sell everything and leave. You may be able to crystallize part of the value you have created, reduce exposure to a single operating business, while accepting platform risk, retain meaningful ownership and participate in a larger enterprise with greater resources and a broader growth mandate.

You are not merely negotiating the price of your brokerage. You are deciding what you want to own next.

The model is not automatically superior

A roll-in can create attractive outcomes, but it can also destroy value. The structure deserves the same scrutiny and diligence as any major capital decision.

The first risk is that the multiple expansion never arrives. Markets move. Capital becomes more expensive. Buyer appetite changes. A platform expected to sell at 8 times may ultimately trade at 6 times, or not transact at all. The second risk is operational. Acquisitions that look compelling in a spreadsheet can create cultural fragmentation, technology problems, staff attrition and customer leakage. The third risk is financial. Excessive leverage can turn a moderate operating disappointment into a serious equity impairment.

There is also a founder-specific risk. You may exchange control for governance rights that are weaker than you expected. You may roll into a security with restrictions you did not fully appreciate. You may discover that the platform's leadership philosophy is inconsistent with your own. Your role may change after the transaction. Decision rights may migrate. The timing of the next liquidity event may be outside your control.

These risks explain why the model should be understood before it is accepted. The question is whether the economics, people, governance, incentives and strategy of a specific structure improve the founder's position relative to the available alternatives.

Assess the founder outcome

The mistake is to reduce a roll-in decision to one number: the headline valuation. A sophisticated founder should assess the transaction across three dimensions at the same time.

The first is the business. What happens to the quality of the enterprise? Does the combination strengthen management, reduce founder dependency, improve organic growth, create operating leverage and increase strategic relevance? Or is the platform merely buying revenue?

The second is personal. How much liquidity do you actually want? How much risk do you want to retain? What role do you want after the transaction? What happens to your identity when you are no longer the sole owner? How long are you willing to remain involved? What promises have you implicitly made to staff, family, clients and partners?

The third is financial. What exactly are you receiving? Cash, ordinary equity, preferred equity, earn-out, vendor finance, options? What are the rights and restrictions? How is the rollover valued? What dilution can occur? What leverage sits above you? What happens if there is no second transaction? What is the tax position? What downside are you accepting in exchange for the upside?

These questions are connected. A founder cannot sensibly answer the financial question without answering the personal one. They cannot evaluate the personal trade-off without understanding the business architecture. This is why a transaction-led process often starts too late. By the time the term sheet arrives, the founder is being asked to make decisions about capital, identity, succession, family wealth and leadership under a timetable established by somebody else.

Prepare the strategy before the transaction

The Private Strategic Office™ helps a founder prepare for this class of decision by assessing the strategic alternatives before a transaction establishes the timetable. The work complements legal, tax, accounting and investment advice.

The purpose is to create the strategic architecture before the transaction dictates it.

Inside The Private Strategic Office, we can examine the business, personal and financial dimensions together. We can establish what the founder is actually trying to achieve, how the business is valued today, with appropriate specialist input, what is suppressing that value, what the founder wants their future role to be, how much personal liquidity matters, how concentrated family wealth has become, what succession looks like, which capabilities should be built internally and which could be accessed through partnership.

We can then model alternatives. Remain independent and professionalize. Acquire other firms. Bring in management. Introduce minority capital. Pursue a strategic merger. Sell and leave. Sell and remain. Or roll into a larger platform while retaining meaningful equity in the next stage.

The point is not to predetermine the answer. The point is to make the founder capable of recognizing a good answer when it appears.

That becomes particularly important with rollover equity because the headline price is only the first layer. A founder needs to understand the platform's capital structure, leadership, acquisition thesis, governance, debt, incentive system, integration model and probable exit pathways. They also need to understand how their own equity participates. One percentage point of the right platform can be more valuable than ten percentage points of the wrong one. Percentage ownership without context tells you very little.

Founders should prepare for capital decisions as part of business strategy. The Private Strategic Office provides a setting for that work while the founder still has time and alternatives, before a buyer approach or term sheet creates pressure to decide.

The Private Strategic Office helps founders understand what they should own and how they want to participate.

Decide what to own next

Understanding the roll-in model broadens the valuation discussion from the price of the existing business to the quality and potential of future ownership.

Instead of asking only, 'What is my brokerage worth today?' the founder can ask, 'What could my ownership become worth under different structures?'

That is a much more powerful question because it introduces time, capital, scale and optionality into the equation. It recognizes that a transaction can be a liquidity event without being the end of ownership. It recognizes that enterprise value can be created after the founder's first sale as well as before it. It recognizes that a founder may be able to protect part of the wealth already created while continuing to participate in the value of what comes next.

For some founders, the right answer will still be to remain completely independent. For others, it will be a clean exit. For others, the most attractive architecture may be a roll-in that combines partial liquidity, continued influence and equity in a larger platform.

The important thing is to understand the mechanism before somebody else explains it to you while asking you to sign.

Mortgage brokerage founders develop deep expertise in lending, customer relationships and business development. Decisions about enterprise value and ownership require a comparable understanding of the structures, incentives and risks involved.

Multiple expansion is not guaranteed and cannot compensate for weak underlying economics. But when high-quality smaller firms are brought together inside a well-run platform, when earnings grow, margins improve, risk is reduced and the resulting enterprise becomes larger and scarcer, the economics of ownership can change materially.

The objective may not be to sell your brokerage. It may be to decide what you want your brokerage to become part of, what you want to own after that, and how you want to participate in the value still to be created.

That is a Private Strategic Office conversation.

About this white paper

Ash Playsted is Principal Advisor at AP Advisory and founder of The Private Strategic Office™. This paper presents his strategic application of buy-and-build, rollover-equity and multiple-expansion principles to mortgage brokerage founders. It is a thought leadership perspective, not an empirical market valuation study.

All numerical examples are hypothetical. Outcomes depend on the transaction structure, sustainable earnings, capital structure, governance, integration and market conditions. Legal, tax, accounting, valuation and investment questions require advice specific to the founder and the proposed transaction.

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