

HOLD PHASE

How do you keep a MIP current during a five-year buy-and-build?

Author Aaron Roes

Reading time 10 min read

Source mipdesk.com/insights-buy-and-build.html

Buy-and-build is the strategy where good MIP administration pays for itself most visibly, and where casual administration compounds most brutally. The arithmetic is simple: every acquisition generates the same set of events (onboardings, allocations, valuations, sometimes an inherited plan), and every event recorded late or loosely is an error that the next acquisition builds on. One add-on with a vague entry value is a correction. Five of them, layered over five years, is an archaeology project conducted during due diligence.

The good news is that the remedy is not sophistication. It is three unglamorous things applied consistently: standardisation, cadence, and ownership. This article takes each in turn, and then looks honestly at the years in the middle of the hold, where discipline usually goes to die.

Standardise early, while there is nothing to standardise

The single highest-leverage decision in a buy-and-build MIP is made around the first add-on: whether each acquisition is handled as a bespoke exercise or slotted into a standard architecture. A standard architecture means one plan design that incoming teams join on pre-agreed terms; a template onboarding pack (offer letter, subscription documents, adherence deed) that only needs names, numbers and dates; a fixed method for setting entry values, applied the same way every time; and one register structure that new entities extend rather than complicate.

Bespoke feels responsive in the moment: this target is different, this CEO negotiated hard, this jurisdiction has a quirk. Some variation is genuinely unavoidable, and counsel will tell you where. But every avoidable variation is a permanent tax: a special case that must be remembered, explained to auditors, and reconciled at exit. The programmes that survive five acquisitions intact are the ones that decided, early, that the plan is a product with a standard specification, and that deviations require a reason in writing.

Standardisation has a second benefit that is easy to miss: it makes promises safe. When the plan is a known product, a deal team can tell an incoming management team precisely what participation looks like, during the negotiation, without inventing terms that the structure cannot honour. Bespoke plans generate bespoke promises, and bespoke promises generate disputes.

Cadence and ownership: the rhythm that keeps the record true

A buy-and-build generates events faster than an annual clean-up can absorb. The plan needs a rhythm: events recorded as they happen, a periodic reconciliation (quarterly is a sensible default for an active platform) in which the register, the cap table and the documents are checked against each other, and a standing item in board reporting so the plan's state is visible rather than assumed. The reconciliation is the heart of it. It is the mechanism that catches the drift this series keeps describing, while the events are months old rather than years, and the people involved are still in the building.

None of that happens without an owner, and buy-and-build is uniquely hostile to ownership. The CFO who owned the plan at closing is now integrating three companies; the group has a new finance layer; the person who understood the register left with the second add-on. Everything the article on ownership said applies here with multipliers: the role needs continuity precisely because nothing else in the structure has any.

A TYPICAL PLATFORM YEAR	WHAT IT GENERATES	THE DISCIPLINE THAT ABSORBS IT
Acquisition completes	New entity, incoming team, entry valuations, possibly an inherited plan	Standard onboarding pack; the four decisions taken on the deal timetable
Team grows organically	Mid-life promotions, allocations	joiners, Pool arithmetic redone new and recorded per event, not per year
People leave	Leaver determinations, repurchases, equity	The standing leaver process; discretion documented as exercised
Structure changes	Refinancing, new round, reorganisation	Valuation and pool impact recorded at the time; documents versioned
Quarter ends	Nothing visible	The reconciliation that proves it, in writing

The dangerous years in a buy-and-build are not the busy ones. They are the quiet middle years, when acquisitions pause, the team stabilises, and the plan appears to run itself. That is when the cadence gets skipped, the owner gets reassigned, and the drift begins that the exit process will eventually price.

What this means in practice

FOR FUND MANAGERS

Make the plan architecture a platform decision. Decide at the first add-on that participation is a standard product, and hold deal teams to it. Every bespoke exception should need your sign-off and a written reason.

Fund the cadence, not just the events. The quarterly reconciliation is cheap insurance on an asset you intend to sell. Ask to see it, occasionally, so it stays real.

Protect the owner through the turbulence. Integrations reshuffle finance teams constantly. Every time the plan's owner changes, treat it as a formal handover with the register, the documents, and the open items on the table.

FOR CFOS AND MANAGEMENT TEAMS

Build the templates before the second add-on. The onboarding pack, the entry-value method, the register structure. An afternoon of standardisation at acquisition two saves a month of reconciliation at acquisition five.

Record the structure changes, not just the people changes. Refinancings and equity rounds move the arithmetic under every participant's position. They belong in the record with the same promptness as a joiner.

Keep the middle years honest. When nothing seems to be happening, run the reconciliation anyway. Quiet is when drift compounds unobserved.

One last thought

A buy-and-build asks more of a MIP than any other strategy: the plan has to describe, accurately and at all times, a business that refuses to stand still. There is no version of that which happens by itself, and no clever structure that removes the need for the unglamorous rhythm of recording, reconciling and owning.

But there is a compounding effect on the upside too. A platform that standardises early and keeps its cadence arrives at exit with something rare: a five-year, multi-acquisition equity story that reconciles to the last decimal, on demand. Buyers notice. That is the discipline, and it is the work we do at MIP Desk.