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Business Consultants



**SOLUTIONS BEYOND
THE OBVIOUS**

Exit Planning – A Different Way of Thinking About It

April 9, 2024

WELCOME

Today's Experts



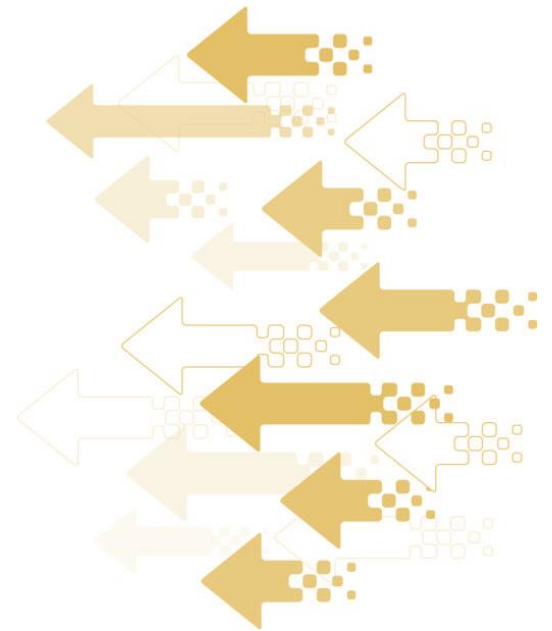
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Agenda

- Today's Challenges
- The Solution
- Owner Preparation
- Exit Options



Successful To Valuable

- A valuable company is one that is transferrable, ready, and attractive at any point. While the business owner's business, personal, and financial goals are aligned.

TODAY'S CHALLENGES

Economic and Social Forces in Play

We are in the midst of an unprecedented
generational transfer socially and economically.

	Traditionalists	Baby Boomers	Generation X	Millennials
Birth Years	1900 – 1945	1946 – 1964	1965 – 1980	1981 – 2000
Gen Nicknames	Moral Authority	“Me” Generation	Gen X	Gen Y, Echo Boomers
Key Attribute	Committed to Company	Ability to Handle Crisis	Work / Life Balance	Ambitious But Not Focused
Work Ethic	Pay Your Dues	60-Hour Work Week	Work Smarter, Not Harder	What’s Next?
Views on Money	Pay cash	Buy now, pay later	Save, save, save	Earn to spend
Core Value	Family / Community	Success	Time	Individuality

99% OF OWNERS AGREED WITH THIS STATEMENT:

“Having a transition strategy is important both for my future and for the future of my business.”

61%
Strongly Agree

30%
Agree

8%
Somewhat Agree

1%
Disagree

And Yet...

The very same surveyed owners reported the following data which proved contrary to the statement that readiness was actionably important:

79% of owners have no written transition plan.

49% have done no planning at all.

94% have no written personal third act plan.

Challenges

- **80-90% of the owner's wealth is trapped in their company**
- **60% of owners do not understand their exit options**
- 80% have not engaged with a transition advisory team
- 75% of owner's profoundly regret selling their business just a year after selling it
- 40% of owners want to sell within the next 5 years
- 30% said they have no plans to transition at all
- **50% of transitions are involuntary, forced exits**

Challenge #1

- Many Owners are Unprepared
 - **Uncertainty**
 - Confidentiality
 - Income Trap
 - **Not Urgent**
 - **What Next?**
 - **Misinformed**

Challenge #2

➤ 50% of Exits are Involuntary

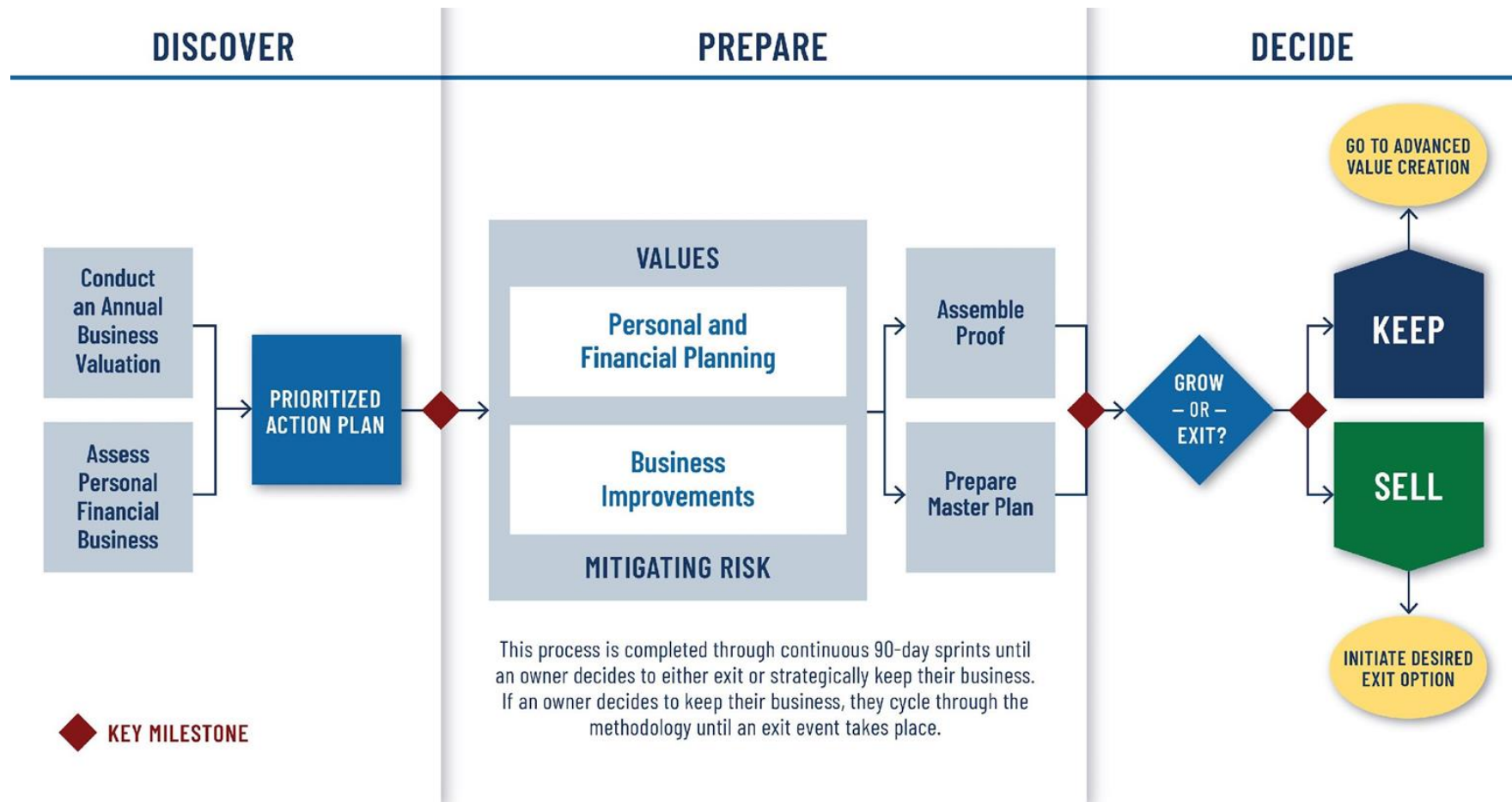
- Death
- Distress
- Disability
- Disagreement
- Divorce

Challenge #3

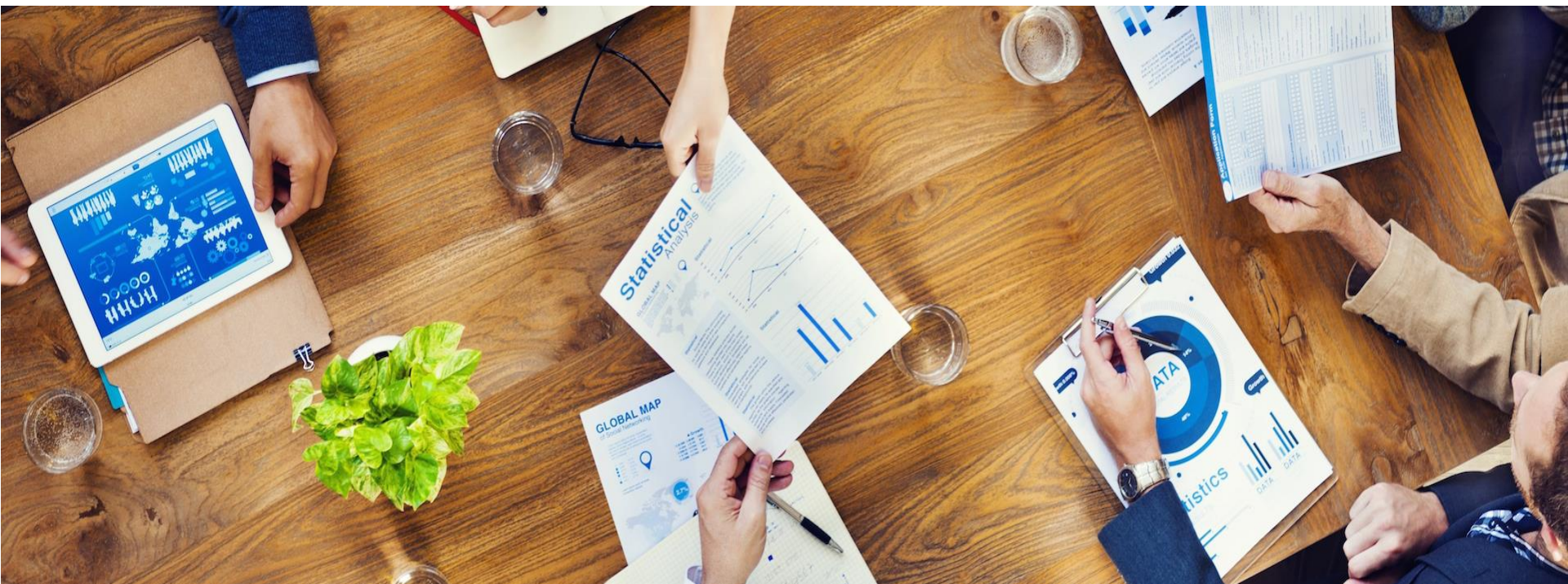
- Not Focused on Value
 - Owners are leaving cash on the table because they're focused on income generation; not enough focus on enterprise value.

THE SOLUTION

The Value Acceleration Methodology



Owner Preparation



DISCUSSION:
**What would you imagine are
the typical readiness or
preparedness issues?**

Readiness Issues

- Common Personal Readiness Issues
 - Loss of Identity and Lack of Support
 - ✓ No Goals and Objectives Post Transition
 - ✓ No Considerations to Passions Outside of Business
 - ✓ No Advisory Board or Formal Transition Team
 - ✓ No Contingency Plan(s)
 - ✓ Shareholders or Family Members Not on the Same Page
 - ✓ Forced Generational Transfer

Readiness Issues

- Common Financial Readiness Issues
 - Owners with High Income Needs
 - ✓ Income Requirements Post Transition
 - ✓ Needs vs Wants
 - ✓ Financial Plan Does Not Consider the Value of the Business or Overstated Opinion of Value
 - ✓ Net Proceeds Analysis
 - ✓ Tax Planning
 - ✓ Risk Sensitivity Considerations
 - ✓ Financial Plan Aligned with Personal Plan

Readiness Issues

- Common Business Readiness Issues
 - Tangible vs. Intangible Factors
 - ✓ EBITDA historical vs projected vs addbacks
 - ✓ Valuation Multiple Considerations
 - ✓ Is the Business Bankable?
 - ✓ Credibility of Financial Information
 - ✓ Ability to Forecast and its Predictability
 - ✓ Management Succession
 - ✓ Customer Base and Concentration
 - ✓ Ownership Group or Partners at Odds?

Readiness Issues

- Being Ready to Exit Without Wanting to Sell
 - What are the Benefits?
 - ✓ Pushes the Overall Team to Best-in-Class Performance
 - ✓ Serves as a Contingency Plan
 - ✓ Non-Solicited Offers Do Happen
 - ✓ Increase Annual Income and Value

Owner Preparation Checklist

- You're Prepared When You Have
 - Have spent some time and money getting educated on the process of how to transition your business. You have discussed transition with your loved one.
 - Your personal, financial, and business goals are aligned meaning they are defined, co-dependent, and linked.
 - **Established a transition advisory team**
 - Created and reviewed with key advisors and family members a contingency plan which should include buy-sell instructions, appropriate insurance, and specifies what should happen if you could no longer operate the business.
 - Completed a strategic analysis, business valuation and personal, financial, and business assessment(s) with the last year.

Owner Preparation Checklist

- You're Prepared When You Have
 - Considered all your exit options and optimum deal structure and weighed the pros and cons of each in relation to your stated goals and objectives.
 - A written transition plan.
 - Designed a post business life-after plan and it is linked to your wealth management plan.
 - A pre-transition value enhancement/preliminary due diligence project underway to de-risk the business, maximize its value, minimize taxes upon transition and improve the probability of a smooth transition to the next owner(including family).
 - A management program underway to ensure the post transition leadership can operate the business without you at the helm.

Exit Options

- No Exit – “Lifestyle Company”
- Two Exit Option Categories

INSIDE

- Intergenerational Transfer
- Management Buyout
- Sale to Existing Partners
- Sale to Employees/ESOP

OUTSIDE

- Sale To Third Party
- Recapitalization
- Orderly Liquidation



Questions

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Contact Information

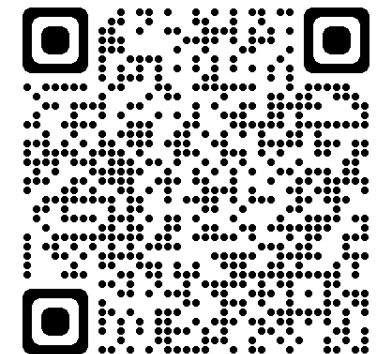


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Post Webinar Survey

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