EXIT Strategy

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Exit Planning is not the End, it's Preparation for the Right Time

In todays Business world, nothing is certain not even the timing of your Exit out of the Business. Currently, several institutions have become obsessed with the so called "exit strategy" planning. They feel the need to hire someone for two to three years to help you plan. The real question around an exit planner is have they ever sold a company? To put that into prospective, consider the question about a consultant that is helping you run a company, you want to make sure they have run a Business and if they haven't they at least have had fiscal or operational responsibility. Keep that same expectation when looking at an Exit Planner

Preparation for your Exit asks for a couple of fundamental questions, and they should be up to date at all times of your Business life cycle,

1. Management

You should always be prepared for someone to run the Business in case something happens to you, the Owner, short or long term. That will make sure the value of the Business does not depend on you.

2. Strategy Definition

Review your SWOT analysis, analyze and redefine your strategic alignment to put yourself into the top 3 in your market.

3. Customer focus

The 80/20 rule should apply across your sales, that means 80% of sales are from 20% of Customers. Should you depend on a very large Customer with more than 30% of your total Sales, work on a long-term contract. Weed out non-profitable Customers, with a product / service analysis by Customer to make sure you are not carrying losers. If you have Customers with a loss leader, analyze the situation carefully as the new owner may not go for that. Profit over Sales in a valuation but keep a good mix.

4. Profit and Loss Statement

If you have personal expenses running through the Business, they must be identified and documented when you recast, better yet align your Tax returns with the Profit and Loss if you expect an all cash offer,

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5. Valuation and Taxes

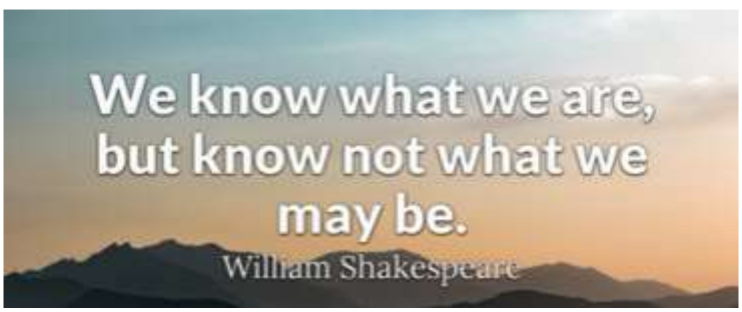
Run a valuation (market value) on an annual basis, as the value depends on the market situation and not a mathematical formula and consult with your Wealth Advisor about the portfolio you need to live comfortably once you Exit. Verify with your CPA or Tax attorney early the implication of a sale on your taxes and align the Corporation accordingly if necessary, as well as an optimal deal structure. Note that keeping some ownership or help finance with a Sellers note will not only increase the value of your Company, but done correctly increases the success rate for the new owner as well as may benefit your Tax Strategy.

6. Organization

Empower Key Employees in their work, offer them incentive programs to keep them a fixture in the organization. Document processes and align administrative work into one single ERP system for easy performance reporting.

7. Conclusion

Be prepared, once you are making the decision to sell be personally prepared to EXIT. If you sell by yourself or through a Broker / Intermediary, the Business is yours until the very last day and the value and successful deal structure depends how well the Business runs the day you leave. However, once the decision is made to sell and the process is on its way, care for the Business but remove the emotion from it.



CHV Group LLC has more than 15 years of working with Businesses in various Advisory functions, from operating performance to Exit strategies. For more information on Strategy or Business Planning contact Tony Koechli