

Exit strategies for owners of a private company

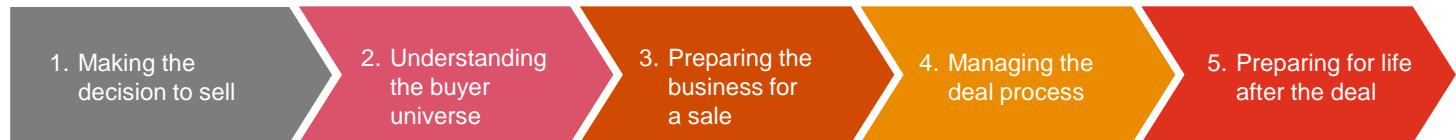
Seize the opportunity to secure your future



You've spent your life building a successful company. Selling your business is a high stakes and emotional event—the capstone moment where you realize the value of what you've worked so hard to build.

For sellers across the spectrum, proactive preparation is absolutely mandatory. You need to clarify your objectives and prepare yourself with analysis and market-tested processes. Knowing when your market and goals align is crucial so that you can move confidently at the right moment, capturing the value you deserve. Objective, unbiased guidance will allow you to move with confidence through these unchartered waters of data complexity, decision points, and uncertainty. This is your opportunity to own your story and strategically plan for the sale, so that you can preserve the legacy you've created for your business, your family, and the rest of your life.

There are five phases of a well-structured exit process:



1. Making the decision to sell

Taking a proactive stance puts you in the driver's seat to plan for the outcome that you want, while also enhancing the value of the business. The first step is to **identify your objectives**, both financial and non-financial.

Financial objectives can include:

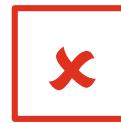
- Liquidity
- Valuation
- Taxation and estate planning

Non-financial objectives can include:

- Succession
- Family dynamics
- Retaining a role/financial stake
- Employee/stakeholder concerns



Do take the time to gather information and get your financial house in order, so you'll better be able to evaluate a future offer.
Do consider tax alternatives early.



Don't make the mistake of neglecting day-to-day operations as you prepare for a sale. You need to maximize the business's value and preserve options

2. Understanding the buyer universe

One of the smartest moves you can make to sharpen your story is to look at your business through the eyes of the buyer. There are **different kinds of buyers** that you can consider based on your objectives.

Strategic or pure-play

This buyer could be an existing competitor or a sector company looking to get a foothold in your geography or industry. Strategic buyers seek opportunities for cost-savings or revenue synergies. The owner is unlikely to stay on.

Vertical integrator

This buyer is likely found by looking up and down the supply chain, such as a customer or supplier. They tend to offer advantages such as a synergized offer, but present competitive challenges during the process for both buyer and seller.

Private equity or venture capital

These buyers look for opportunities to invest in companies with superior management, growth, and returns profiles, typically planning to exit in the short to medium term. Owners typically stay involved in the business.

3. Preparing the business for a sale

Laying the groundwork for a sale is one of the most significant challenges for the life cycle of any business, but careful preparation goes a long way and includes four key steps.

1. Create your circle of knowledge

Assemble a small group of key individuals, including employees, on a need-to-know basis. Retain trusted advisers.

2. Build your online data room

Compile detailed, comprehensive information about your organization, striking the right balance to enable a buyer to determine value while limiting the disclosure of sensitive information.

4. Perform sell-side due diligence

Prepare clear financial reporting packages, including a Quality of Earnings report. Identify key value implications and appropriately address any issues.

4. Tell your story

Present the compelling case for the future of your business. Create a robust set of financial projections that can stand up to buyer skepticism and rigorous analyses.

4. Managing the deal process

At this stage, it is critical for the seller to actively exert control over those elements which they can. Refer to these **pre-negotiation checks** before soliciting buyers to ensure you are prepared.

✓ Line up resources

Make sure your team is ready, and includes all of the trusted advisors you will need across legal, tax, accounting, investment banking, etc., as well as any specialty experts.



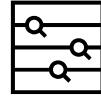
✓ Structure the deal from a tax perspective

Develop your tax strategy and understand your likely buyer's motivations to help lead to a tax-optimized outcome.



✓ Determine a specific sales timeline

Create an execution plan and delegate members of the circle of knowledge to address each strategic need.



Once you have selected a final bidder, much of your leverage dissipates. When it comes to **making the choice** it's important to carefully consider these three areas.

✓ Price

Not every dollar is equal: a cash purchase is generally preferable to a stock buyout, whereas earnouts raise the headline price but introduce risk. Be sure you understand the real value of consideration components.



✓ Terms

Terms, such as non-compete arrangements, representations and warranties, management continuity, customer or community commitments, family employment, and timing, vary greatly. Determine what matters to you.



✓ Certainty to close

Consider the buyer's financial wherewithal, their reputation in the marketplace, and their logistic ability to get the deal done. Only provide exclusivity to a buyer you are confident can follow through.



5. Preparing for life after the deal

Congratulations! You have sold your business, and the wealth you've created over a lifetime is yours. Such a seminal liquidity event requires focused strategic, tax-efficient wealth management. You are facing a lot of options, from diversification strategies to estate planning to establishing a family office, trust, or foundation. We trust the direction in this report will help you navigate this next stage of your life.

Want to discuss your business's future?

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