Private Company Exit Strategies

The defining moment for many private companies is the time period right before the sale. Entrepreneurs spend decades investing in proper strategy and execution and often race to a sale only to have it fall through before closing. Gauging expectations in the emotional and high stakes transaction requires skills the business operator generally lacks. Be Certain. Selling your business only happens once. It represents the pinnacle achievement and allows the realization of cash value you've worked so hard to build.

Presale analysis, preparation and consistency are critical for sellers. Working with a dedicated team allows you to develop key sale specific metrics and objectives using market-tested processes. Market timing and clear goals analysis aligns the seller and buyers so the parties can articulate concerns confidently. Presale planning yields value in reducing deal fatigue, reducing stress and maximizing value. Objective guidance and unbiased risk assessment allows you to move through the deal process efficiently. Data complexity, decision points, and uncertainty are simplified in advance. Giving founders the opportunity to craft a strategic sales plan that maximizes value and preserves the family legacy created by years of dedication.

The Structured Exit Process:

1. Examine the Market Place and Competition	2. Understanding The Buyer Universe	3. Making The Decision To Sell	4. Sharpen Your Story – Preparing The Business For A Sale	5. Preparing For The Business Sale	6. Managing The Sale Process	7. Preparing For Life After The Deal

1. Examine the Seller's Market Place and Competition

Examine the merger & acquisition space for your industry by leveraging industry specialists, trade journals and unbiased competitive analysis by professionals.

2. Understanding the Buyer Market Place

Examine and analyze the Buyer side concerns, objectives and goals well before you make the decision to sell your business. Consult with advisors and key professionals to educate yourself on the mergers and acquisition process best suited to your business.

3. Making the Decision to Sell

Analyze and identify internal and external financial and non-financial objectives. Plan for the outcome you want to achieve by enhancing the value of the business through preparation, analysis and internal due diligence.

Financial objectives can include:

- Liquidity & Equity Participation
- Enhanced Market Diversity, Revenue & Valuation
- A Sale to address tax and estate planning concerns

Non-financial objectives can include:

- Succession Planning
- Family dynamics & personal goals
- Retaining oversight and management roles
- Addressing employee/equity holder concerns

Take the time to ensure internal financial, corporate governance and business information is in order, so you'll be well position to maximize value and close on an offer. Consider income and gains tax alternatives as early as possible.

Ensure your team is handling daily operations to aid in the preparation for a sale. Maximize business value and preserve options through consistent implementation of business operations.

4. Sharpen Your Story

Sharpening your internal operational and financial story focuses your external message. Examine the sale of your business through the buyer's objectives. Address risks and uncertainties buyers consider based on their market objectives and your end goals.

Strategic or Pure Play
Pure Play Buyers can be existing competitors, current partners and out of sector companies looking to gain competitive advantage as well as foothold in your geography or industry. A pure play company focuses solely on a particular product or activity. Strategic buyers seek opportunities for cost savings, revenue synergies and growth.

Strategic Buyers seek horizontal or vertical expansions aimed at strategic synergies to improve operations. Their primary objective is to identify a business whose products and/or services can be quickly absorbed into their own or existing operations.

Vertical Integration
This buyer or seller 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 may present competitive challenges during the process for both buyer and seller.

Private Equity or Venture Capital
Generally are buyers looking for opportunities to invest in companies with superior management, growth, and returns profiles, typically planning to exit in the short to medium term. Owners may stay actively involved in the business.

5. Preparing for the Business Sale

The groundwork for a sale is often the most significant challenge in the life cycle of any business. Careful preparation goes a long way and includes several key steps.

Create your circle of knowledge
Assemble a small group of key individuals, including accountants, legal counsel and C-Level Employees, on a need to know basis aligned with your objectives. Take the time to listen and absorb what the advisers have to say..

Build your online data room
Conduct presale due diligence and compile detailed, comprehensive information about your organization, striking a balance to enable a buyer to see value while protecting sensitive data and company operations.

Perform sell-side due diligence
Prepare clear operational, tax and financial reporting packages, including a Quality of Earnings report. Be prepared to identify key value implications and appropriately address any issues.

Tell your story
Present a confident and compelling case for the future of your business. Create an accurate and comprehensive set of financial projections that can stand up to the buyer's analysis, and natural skepticism.

6. Managing the Sale Process

Set the tone of the deal by considering points of friction and concern in advance. Engage accountants and counsel to craft a letter of intent which protects the deal points, tax issues and ongoing operations of the business during the sales process. Pre-negotiation checks and balances are key before soliciting buyers to ensure you enter into a workable deal.

- **Line up resources**
  Prepare the internal and external teams so they are ready. Include all of the trusted advisors you will need across legal, tax, accounting, investment banking segments as well as any industry specialty experts.

- **Structure the deal from a tax & legal perspective**
  Develop your tax & legal strategy well in advance and understand your likely buyer's tax motivations to help optimize financial and operational outcomes.

- **Determine a specific sales timeline**
  Create an execution plan and delegate roles to team members to respond and create deliverables. Once parties have entered into an letter of intent much of your negotiating leverage dissipates. When it comes to making the choice to sell and which buyer to sell to Seller's should carefully consider these three areas.

- **Price**
  Not every dollar is equal: a cash purchase price paid at closing is generally preferable to a stock buyout, whereas earn outs raise the headline price but introduce risk and post-closing obligations. Be sure you understand the real value and obligations of executive agreements, representations, covenants and post-closing obligations.

- **Terms**
  Terms, such as non-compete arrangements, representations and warranties, management performance payments, customer or community commitments, family employment, and conditions introduce varying levels of risk and uncertainty.

- **Certainty to close**
  Analyze the buyer's financial wherewithal, their management styles as well as reputation in the marketplace. Can they close a deal and operate your business. Will internal conflict and their operational approach negatively impact your final payout?

7. Life After Closing

Life after closing is all contingent on the quality of planning before the closing. You have sold your business but what about the post-closing obligations? Give due consideration to the effects on you financial and physical wellbeing as well as that of your employees. What does your legacy look like after the closing? The wealth you've created over a lifetime is yours. Liquidity events require founders to consider focused strategic, tax-efficient wealth management. Informational over load can lead to decisional paralysis. Keeping the goals focused from the start allows effective implementation and integration as you navigate to the next stages of your life.