

## A Good Exit Strategy is Worth a Fortune

By JoAnn Lombardi, VR Business Sales/Mergers & Acquisitions, President

Selling your business can be an organized process where each step maximizes profit and your advance preparation expedites the sale, or it can be a dismal failure full of gut-wrenching interactions and tremendous amounts of your money left on the table at the close.

### **Fortunately, the choice is yours.**

A good Exit Strategy starts with simple awareness of the process of selling and can be implemented in advance in your day-to-day activities.



Thinking of the sale of your business in health terms, consider the sale with no preparation as last minute surgery with no anesthesia, and a properly done Exit Strategy as preventative medicine that will keep you out of the pain and cost of surgery. Your Exit Strategy begins with awareness that one day you will sell your business.

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Reasons vary with each business owner and can be as simple as boredom with your own company that you have built, to complex issues such as health or divorce. Only you know when it is time for you to sell. However, having implemented a written Exit Strategy will assure maximum profit at the sale and great peace of mind should you be selling under less favorable circumstances such as the mental duress of a downturn in business or poor health.

### **Key steps to an Exit Strategy are as follows:**

- **SET A TIMELINE.** It is important to establish a timeline so that you can prepare in advance to maximize your sales price. It can take more than one year from the time of listing a business to actually getting it sold. And there are several things as mentioned below that you will need to do in advance of "going to market". When is the best time to sell? When you have growing revenues and peak profit performance, yet untapped growth potential is still evident.
- **EDUCATE YOURSELF ON BUSINESS VALUATION TRENDS.** Business owners often mistakenly think their business is worth a certain value without validating those thoughts. Business Brokers and Certified Business Appraisers can assist you in determining a realistic value for your business, which can be extremely helpful in your retirement planning.
- **FOCUS ON KEY BUSINESS FUNDAMENTALS.** Build a diversified customer base, build a strong management team, and continue to invest in technology, equipment, and the appearance of your business. All these key ingredients will add value to your business beyond the "numbers".
- **NUMBERS ARE IMPORTANT.** Make sure that a year or two ahead of selling your business that you focus on your Financial Statements. Regardless of how large or small your business is, "clean" financial statements are critical to the sales process and can more than offset the cost of proper accounting methods that one may normally try to avoid during the normal course of business. View your Exit Strategy from the viewpoint of a buyer. What would you be looking at if you were to buy your business? Do your P&L's match your Balance Sheets and Tax Returns? Imagine the lack of confidence you would have to move forward as a buyer of your business if discrepancies arose in your financial documents at the due diligence stage of the sale.



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- **UNDERSTAND TAX RAMIFICATIONS.** You may have planned your exit well; the timing is right, your financial statements are in good order, profits are at peak level, and you have received an acceptable valuation. However, do you know how much you will receive after taxes? Visit with your tax professional to understand how the income from the sale will be taxed and the best ways to minimize those taxes. Ask about income deferral options, corporate entity structures, etc.

Once the decision to sell is made, contacting a VR Business Broker to discuss the market conditions and the various options you have to sell your business allows you to focus on operations while we focus on the sale.

Buyers can be entrepreneurs that have the same zeal you had when you started your business or industry players that will purchase your business to expand or enhance theirs. A VR Business Broker can be instrumental in helping you write a good Exit Strategy that encompasses the sale scenario viewed from every angle.



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