

Preparing Your Business for Exit

1. Is Your Company Ready?

While fundamental aspects of a business cannot necessarily be changed overnight, a number of strategies can be implemented that can position your company for more certain transaction success-and potentially higher value. These attributes generally relate to operational efficiencies and creating transferable value for the company.

A business owner can take a number of specific intermediate-term actions to prepare for a transaction. One of the most important is ensuring that a management team is present, prepared, and capable of leading the business post-transaction. Ensuring that the business' accounting and administrative records are orderly and up-to-date - sufficient to endure the scrutiny of sophisticated buyers or investors - is another relatively easy task that contributes to transaction success. Business owners preparing their business for sale should focus on establishing and documenting policies and procedures, which demonstrates transferable value and not reliance on the current owner for future success. This includes transferring/transiting customer, supplier, and employee relationships to senior managers who will remain with the business post-transaction. It also includes a review of business "Value Drivers" which is part of an overall Marketability Assessment.

2. Are You Ready?

A business sale is likely the most emotional and significant financial event of a business owner's life. Business owners contemplating their exit should understand their financial needs, taking into account their age and health, desired quality of life, and wishes for their legacy to their family. Owners should also evaluate their desired post-transaction activities; this can range from continued management, as an employee or partial owner, to completely walking away from the business.

James R. Westermeyer is a registered representative of Lincoln Financial Advisors Corp.

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3. Is the Market Ready?

Market readiness is largely measured by economic conditions and demand for investment opportunities. Today, record levels of cash from private equity investors and strategic buyers are available for deployment. Low interest rates, easy credit policies, economic stability, and significant pressure to put capital to work create demand for investment in businesses of all sizes. When combined with a shortage of quality companies for sale, the result is a seller's market in which business valuations increase. The current merger & acquisition market features all of these attributes and is an ideal environment for prepared business owners to exit from their prepared businesses, if they and their company are indeed ready.

We encourage owners not to approach the exit process in a half-hearted manner. By doing so, you may forfeit your best opportunity. Business owners should engage their financial advisor and build a team of professionals, including an investment banker or M&A advisor, a strong transactional attorney, and CPA in advance of a transaction to evaluate the company's preparedness, its valuation, and the market's appetite for a transaction. Going through this process in advance of a potential transaction permits ample time to ensure the business and sellers are ready and that the appropriate exit path will be chosen.

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