

## Insider M&A Tips: Exit Planning Creates Value



Most often, people start a business with scant attention to their end game. Yet, the end of an owner's tenure will inevitably come. As M&A brokers and advisors, we specialize in maximizing the value of firms in succession. From this perspective, we see the most successful and valuable firms often have owners at the helm who, while rigorously managing growth of their business and profitability, maintain awareness of building transferable value.

Savvy owners carve out the time to invest in creating and updating their exit plan. By this, they are prepared when the need to exit arises, whether it is strategically timed or arises unexpectedly through opportunity. The concept follows the mantra of *"running your business to exit in style"*.

At the time of ownership succession, there a sharp distinction between ongoing value in the hands of the seller versus transferrable value to a new owner. Effective exit planning dovetails with smart management. It involves creating sustainable value. This can mean training management and employees, delegating responsibilities, creating recurring sales, or implementing contracts with key managers to protect confidentiality and restrict competitive activities. With these in place, a new owner will have greatly reduced risk in taking the reins. This will be true whether the successor is buying your business or one of your relatives or a manager will be the successor. Enhanced transferrable value and reduced risk for a buyer translate directly into higher value for an owner when cashing in from a business.

For your best outcome when exiting your business, your successor must be confident they can keep it on an even keel and grow going forward. This is critical not only to a successor's decision, but also to pass muster through the discerning due diligence of their banker, accountant, lawyer, investment banker, and M&A brokers and advisors.

Keys for being prepared to exit may include:

- Customer and vendor relationships are nurtured with the company and are distanced from the owner personally.
- Customer concentrations are minimized.
- Balance sheets and income statements are reliable, with messy items scrubbed out.
- Tax responsibilities are current and correct.
- Management tiers below the owner are capable of running the business and making it prosper.
- Operations are lean and clean.
- "Paperwork" and computer files are current and orderly.

- The owners have a solid grasp on their financial needs, resource, and plans for beyond life in the business.

A business transfer often requires the seller to carry part of their sale proceeds beyond closing. As for the buyer, this means the continuing prosperity of the business post-closing remains of vital importance to the previous owner. Selling a good business that is prepared with a strong structure for continuing success is a winning strategy for company owners.

Great exit planning helps owners face the realities of their futures, such as evaluating the resources they will need after leaving the firm. It leads to focus and goal oriented management. It identifies proactive steps to make the firm better and more appealing to prospective buyers. Exit planning provides clarity for improving a business day-to-day while enhancing its value for the time of an ownership change.

Buying or selling a business involves many facets. Each step produces or destroys elements of value and, likewise, reduces or increases the risks to a buyer or a selling owner. It is smart business to call upon the expertise of an M&A broker and advisor, investment banker or business broker to help in early preparations to sell your business, then to manage the process to your maximum advantage. For most people, buying or selling a business is one of the most important financial and personal decisions of their life. Having a proven trusted partner, one that knows the lay of the land and how best to navigate it, is simply invaluable.

**CK Business Consultants, Inc.** has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, [gpapay@ckbc.net](mailto:gpapay@ckbc.net) or visit our website @ [www.ckbc.net](http://www.ckbc.net).