

GROWING INTO YOUR EVENTUAL EXIT

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IT HAS BEEN SAID THAT 'TIMING IS EVERYTHING'.

Well as far as business growth and exit planning goes, 'timing' may end up being one of the most important elements of your overall plan. This newsletter is intended to provide you with some guidance as to how you can begin to design a successful growth and exit plan no matter if your exit is near or many years into the future.

GAINING AN EXPERT PERSPECTIVE:

Setting a plan for an exit requires a perspective on what you are trying to achieve and when it is possible to attain such an



outcome. An important consideration for every business owner is that of 'exit windows', or, how to time your exit to meet your business and personal goals. In fact there are three (3) components of 'readiness' to a well developed growth and exit plan- they are:

1. Personal Readiness
2. Company Readiness
3. Market Readiness

This newsletter focuses on the market readiness, with heavy consideration given to company and personal readiness to help you gain an 'exit perspective.

Once you understand the timing of your exit, there is an opportunity for you to begin planning and making decisions today based upon achieving this future exit. Without this type of planning, you are likely to be without direction for your exit, and possibly missing the next exit window.



EXIT WINDOWS – MARKET READINESS

The chart below illustrates the cycle of business exits and shows that our current market may be the ideal time for your business exit.

According to this 'ten year transfer cycle' chart, in 2020 we are at the outer edges of the Prime Selling Time and nearing the verge of Almost Recession. – see below

U.S. Ten Year Private Transfer Cycle



-Rob Slee, Private Capital Markets

Now, past performance of markets is not necessarily a perfect predictor of the future. However, as the chart indicates, the last four (4) decades have followed a similar pattern of economic growth, expansion and then retraction / recession.

Setting a proper growth and exit plan begins with the end in mind. And, if time permits, you can think about growing into your future exit. It helps to understand when you would like to exit and then build

the business growth and exit plan around that timing.

THREE (3) CONCEPTS RELATING TO TIMING OF GROWTH AND EXIT PLANNING

In order to manage anything in life and in business, you need to be able to measure it.

Measuring your personal, company and market readiness can set a solid foundation for your growth and exit plans and be a large determinate as to whether you will be able to grow into your eventual exit or if you should consider an exit earlier than perhaps originally planned.

1. PERSONAL READINESS

Growth and exit planning for private businesses large revolves around what an owner wants to personally accomplish. Some owners want to be worth \$10 million (or \$100 million). Other owners want to have personal freedoms to achieve balance in their lives – that is their priority. Others still, just live to perfect their craft and design income and businesses around that passion. No matter what your personal goals are, you are well served understanding what stage you are at in terms of personal readiness for an exit. That will be the largest determinate of whether you want to undertake the next level of growth in your business

2. COMPANY READINESS

Is your business set up today to be run by someone else? This is one



measurement of company readiness. Many privately held business owners are personally involved in many, many aspects of their businesses. These companies are likely not ready for a transition because they cannot function without the owner. Other areas of company readiness include financials, systems, management, operations, and many other 'value drivers' that determine a businesses' readiness for a transition. Growing into your eventual exit may include increasing your company readiness to prepare your business for another owner.

3. MARKET READINESS

Market readiness was discussed above and today's market is ripe for transactions and exits. The economy is strong, business cash flows are high, financing for transactions is available and company valuations are peaking. Market readiness is a large factor in 'growing into your exit' because you may determine that now is the time to exit and you are willing to pass over a growth plan to

another owner to capture the opportunities in today vibrant market.

CONCLUDING THOUGHTS

In conclusion, if you know that your exit window can extend beyond the next recession, then holding onto your business and growing into a future exit may make a lot of sense. However, if you don't want to hold onto your business through the next recession, then thinking about an exit plan (that includes a growth plan) can make sense today.

You want to run your business with your exit in mind, focusing on company and personal readiness as well. In this way, you can increase the likelihood of meeting your exit goals, which have been measured as a part of your total exit and business transition planning.

Are you ready for next steps? Click to complete our Business Readiness Survey and connect with our team.