

Designing a Business Exit Strategy and Initiating a Turnaround: Mutually Exclusive?

I thought you would enjoy this recent article from the Florida Business Journals. Take Care, *Chris*

If you are a business owner, you are building a business for an eventual (hopefully) successful Exit. But what if the business is not performing as well as it could or its' performance is teetering on failure? Let's look at common steps to initiate both processes.

In the Exit strategy, first look at the "what" question. What are my financial needs? Is my personal wealth tied up in the business and I need the sales proceeds to fund my retirement? Or are my retirement needs secure and I don't need to receive the maximum post tax dollars at the closing table.

Second, let's look at the "who" question. Who can I sell or transfer the business to? Is an outright sale to a third party the best action? Key Employees? The next generation in my family? Answers to this question hinges on a few key points. Are the Key Employees and/or family members competent to assume ownership? Do they have the managerial and financial wherewithal?

Third comes the "when" question. When do I exit business ownership? Which are you? "I am burned out and I wish I had sold yesterday" or "things are going really well and it is time to start investigating the Exiting process".

All the answers to these questions build from one missing variable, what is my business worth? Whether you want to Exit now or in two years, you must know from a reputable source the value of your business. Your business is much more than the sum of its assets minus liabilities. It is an economic engine that provides you and the stakeholders a lifestyle. A recent INC magazine article noted a typical business appraisal costs \$7,000-\$25,000. The big question is whether your audience sees the appraisers finished product as reliable. Since most transactions need some type of debt financing, inevitable what is your business worth? *The amount a lender will finance against the selling price.* Almost all lenders will require a third-party appraisal from a reputable source.

For argument's sake, let's say you have invested in a business appraisal and you are ready for the next step. There can be two outcomes. One, you are happy with the dollar amount your business appraised for; or two, the amount is too low and you cannot possibly sell it for that amount. Under the first outcome you can begin the Exiting Process. Under the second, decisions have to be made.

The appraisal typically compares your business to others in your industry and gives clues to the financial and operating areas where you are under performing your peers. Using this information, do you bring in a turnaround or corporate renewal professional to increase the value of your business or do you and your staff have the ability to breakout from how you have been doing things for years and fix the business yourselves? The skill sets to grow versus turnaround a business differ greatly. Also, many business owners are in denial to their businesses problems and often use the excuse that lack of money is their only problem. The appraisal quantifies your businesses value in black and white. A turnaround professional as a seasoned outsider without any pre-conceived opinions or emotional ties can see your business in its true light.

Many private equity groups exist who buy struggling companies, fix their problems and then sell the business in 2-5 years for a tidy profit. They are currently awash in money and are constantly looking for under performing opportunities that can be purchased at a discount. Do you want sell your business on the cheap or invest in an appraisal and a turnaround professional to maximize your monies at the closing table?

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Bankers Advocate Group is a boutique Merger & Acquisition firm specializing in Third-Party Business Appraisals and Entering & Exiting Strategies for privately held companies in the Southeastern United States. Mr. Curtin is the company's founder.

Mr. Curtin is a member of the Turnaround Management Association's (TMA) National Board and was the 2002 recipient of the TMA's "Outstanding Individual Contribution" Award.