

KEY  
QUESTIONS

*when planning your*

BUSINESS  
EXIT  
STRATEGY

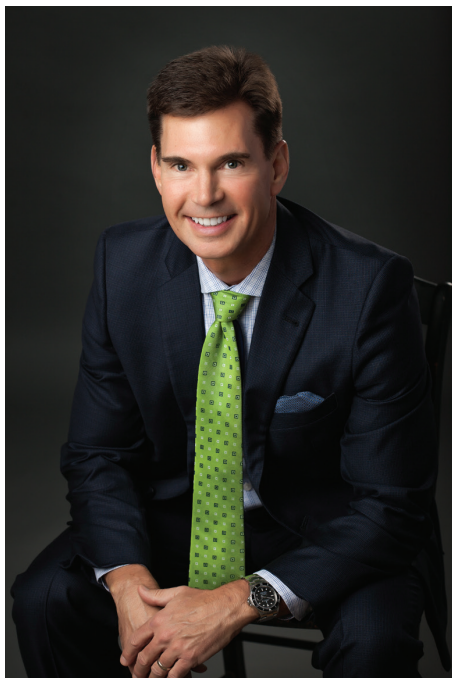
PARADISE CAPITAL

# Build a PERSONAL EXIT PLAN that will leave you with NO REGRETS

To some, an exit strategy sounds like something negative to think about unless you're actually ready to exit your business. Actually the best reason for an exit strategy is having a plan for how to optimize a better situation and build a road map to achieve your ultimate dream exit.

You need to be ready to react. You want to be in the best position to maximize the reward for all your efforts. For instance, what if someone approaches you to buy your company today? How much is the right price? Is it the right time to sell...the right buyer?

What if an acquisition opportunity arises? Is it really a good fit that will net you more or does it distract you and your company from your current direction? What should you do and how will you know what the best decision is? What if you need to sell sooner for personal reasons? What does the succession plan actually look like?



Paul Niccum , CEO

# MY STORY

I owned a company back in the late 1990s, and while going through a divorce, I needed help to keep things running while I was a single parent of two. I did not have a plan, so I was looking for an investment partner when I suddenly received an offer to sell. I took the offer and ended up with regrets. I sold for the wrong reasons, at the wrong time and without any knowledge of how to exit a business.

Fast forward 16 years. After starting 5 additional companies, acquiring 8 and selling 3 to public Fortune 100 and 500 companies, I learned exactly what to do and how to do it. I also learned what not to do to exit a business successfully with no regrets. And that knowledge was even more valuable.

# What exactly is an *EXIT STRATEGY?*

An exit strategy is your business road map. It's the route you take that will lead you to exiting your business without any regrets.

Specifically, an exit strategy keeps owners free from emotional regrets while successfully transitioning out of their business by understanding the following points:

- 1. Keeping those who are not ready to sell from selling or jumping at the first offer.*
- 2. Providing a growth compass and a personal/business vision statement.*
- 3. Providing sellers with strong negotiation points based on their individual "why, what, when, and won't," which we'll discuss here further in a moment. An exit strategy prepares you to react to buyers in a way that puts your company in the best position to reward your hard work and efforts, optimize the best situation for your sale, and let you develop and complete a sale without having any regrets.*

Your exit strategy will also prevent you from making major mistakes by letting you walk through the uncertainties of a sale before they occur. For example:

- What if you're preparing to sell, and an acquisition opportunity arises?*
- Would an acquisition net a larger sale for you in the future, or will it be just a temporary distraction?*
- What if you need to sell sooner than you anticipated due to an unforeseen health or personal issue?*

What does your succession plan actually look like?

Whatever the uncertainty that may arise, if you develop an exit strategy before the unexpected situation arises, you will save yourself the heartache of making a quick decision that doesn't match your planned outcome.

Selling a business without an exit strategy is like running a marathon without a finish line. Without that strategy, you'll never know where you're headed.

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# Develop your own *WHY, WHAT, WHEN* and *WON'T*

An exit strategy does not tell you *how* to sell your business. It tells you *why* you're selling that business, *what* elements of the sale are negotiable and what ones are not, *when* you plan to sell, and which elements of the sale you still need to research further.

To develop a solid successful exit strategy, we first work with them to establish their personal why, what, when, and won't by asking them to answer a few questions. Your why, what, when, and won't may actually change over time. Each aspect can affect another, so it's important that you journal, track, adjust, and confirm that you're okay with each and every change you make along the way.

Let's use your health to illustrate how the pieces of your *why, what, when,* and *won't* may change. Say you establish a *why, what, when,* and *won't* that you're comfortable with. You're happy with your strategy, and you use it to grow your company. However, one day you find out that you're sick. Suddenly, instead of waiting your original planned five years to sell your business, you need to sell it within the year, so you can focus on your health. In this case, your *when* has changed. This scenario may also change your *what, won't,* or *why,* as well.

*Why* questions explain your motivation behind the sale; *what* questions help determine the deal structure and the best selling price; *when* questions are all about timing; and *won't* questions focus on good negotiating tools.

Start off by asking yourself the following questions. The answers will start you on designing your own perfect exit plan.

**WHY** are you selling?

**WHAT** is negotiable?

**WHEN** are you selling?

Which elements **WON'T** you negotiate on?



# SOME WHY QUESTIONS:

- **WHY** do I want to sell?
- **WHY** do I want the additional proceeds?
- **WHY** is this the best time for me to sell?
- **WHY** do I want to do something different?
- **WHY** would someone want to buy my company?

# SOME WHAT QUESTIONS:

- **WHAT** does my ideal buyer look like?

- List potential buyers today that would want your company and state why they are a fit. If they are not a buyer today, what would your company need to look like to attract this type of buyer later on?
- A private or public company?
- Family, friends, internal staff, a partner?
- Employee Stock Ownership Plan (ESOP)
- Would this buyer accept your valuation?
- What would your revenue, GM, OI need to be?
- What do you see as good synergies with your dream buyer? What would they be able to leverage beyond your OI?
- What do you know now or need to learn about your dream buyer?
- Is there another company that's like your dream buyer or a business line you should be thinking about?
- What kind of research can you do now on these buyers?
- What actions do you need to take to grow your business to attract this type of buyer?



- **WHAT** is my company's value today and what do I want to sell it for?

- *How much money would you like to receive?  
Net to you vs. sale price?*
- *What is the company worth today?*
- *Do you have a formal valuation you use?  
How often do you compile one?*
- *Do you use the same method each time?*
- *What price would I like to get for my company and how is that price different than what it's currently worth?*
- *What do I need to do today to increase the value of my company so I can sell in x years at a higher price?*

- **WHAT** kind of payment do I want?

- *Would you need all cash?*
- *Would you consider a stock trade?*
- *Would you take private stock or only want public?*
- *Would you take payments over time if they were guaranteed and you received interest on them?*
- *Would you take an earn out if it paid you more than your asking price?*
- *Would you need health care?*

- **WHAT** do I want to do after the sale or what role would I like to take in the company after the sale?

- *What key staff do I want in place post-sale?*
- *What do I want to do after the sale or what role would I take within the company after the sale?*

# SOME WHEN QUESTIONS:

- **WHEN** is my company going to be worth the most?
- **WHEN** is the right time to begin the sales process?
- **WHEN** do I want to retire?
- **WHEN** will the sale be right for my employees?
- **WHEN** would you like to sell? Why then?
- What would your buyer need to look like at that particular time? Why?
- What adjacent businesses to yours would want access to your clients?
- What do you need to put in place now to sell then?
- **WHEN** will a sale be best for my customers?

# SOME WON'T QUESTIONS:

- What type of buyer **WON'T** I consider?
- What **WON'T** I negotiate on for moving the company location?
- What type of sale **WON'T** I take?
- Would you be willing to stay on for a period of time or simply exit after the sale transaction?
- What **WON'T** I let happen to my clients and key employees?
- Who are the key staff that must be retained if the company is sold? What agreement do you have in place today to keep them after the sale?
- What about our quality or what we stand for?  
What **WON'T** I allow the buyer to change?

The first question in this list—*why* do I want to sell?—is the most important and should be viewed as your **personal vision statement**. The reason most sellers *think* they want to sell and the *actual* motivation behind a sale can be miles apart. At this starting point, you must assess your personal value beyond the business. You must separate your personal goals from your business goals, which likely intertwined while you were building your business.

# Ask the right questions and you will

## *AVOID THESE THREE MISTAKES*

Typically, when sellers don't understand *why* they want to sell, one of three things happens.

**ONE**, as soon as the seller's non-compete agreement expires, he or she just starts a new business that's nearly identical to the one already sold.

**TWO**, the seller starts a business in an unrelated field on a whim and ends up losing a lot of money due to lack of industry knowledge.

**THREE**, the seller stays on with the new company and either quits or experiences a painful transition into the buyer's company.

### **ALWAYS STAY ON TOP OF YOUR OWN EXIT STRATEGY**

To get the most value out of your well-planned exit strategy, plan it early and review it and your baseline valuation method annually. I review my exit strategies semi-annually to see if they are still valid. Whenever I think of selling, I look at my exit strategy and ask myself three crucial questions that will ensure I won't just walk into a sale that will leave me filled with lots of regrets afterward. Those three questions are:

1

*Is this sale right for my customers?*

A sale that's good for your customers will be good for your company growth, provide new opportunities for your employees, increase the value of your company, and benefit you. Asking, "Is this sale right for my customers?" helps determine the driving force that sits behind selling your business *today*.

2

*Is this sale right for my company and my employees?*

When you think about whether the sale is right for your company, think about where your company is in terms of its market relevance. Is the market or your offering currently stagnant or in a declining position? Are you going through a strong rebuilding year? Are you experiencing a huge growth curve? Is cash flow causing concerns? Is your company at the top of its growth, or has it peaked or starting to decline? Answering these questions honestly will help determine whether your reasons for selling are valid or only situational.

3

*Is this sale right for me?*

Every time I review my own exit strategy, I review it in terms of personal risk vs. personal reward. This focus helps me decide whether to continue with the sales process. I always ask myself, "Should I hold on to or invest in this company?" If the answer is, "Yes, I'd buy this company for that price," or "Yes, I would invest in this company," then I go and revisit my *why*, *what*, *when*, and *won't* questions. If your *why* is that you want to retire and relax, then it might be time to sell. If you want to keep investing and your *why* is that you still love what you're doing, maybe it isn't time to sell. After I answer these questions, I rank them in their order of importance.

*Interested in  
developing your*

**NO REGRETS  
EXIT PLAN?**

If you've found that working through your *why, what, when, and won't* questions have left you with more questions than answers, we can help. Our goal is to help you realize your "why" with absolutely **no regrets**.

### **CALL TODAY FOR HELP WITH:**

- **Exit plan consultation and documentation**
- **Growth strategies to increase your brand value and revenue streams**
- **Merger and acquisition services (tuck ins and roll ups of additional companies and/or services)**
- **Ready to sell? We build marketing plans, confirm valuations and confidentially market and sell your business!**

We will help you develop a realistic, workable strategic plan. From the exit plan, we can help you build a growth strategy to maximize the value of your business and allow you to exit your business with the best financial outcome! Thank you and we appreciate your kind consideration.

*For more information contact:*



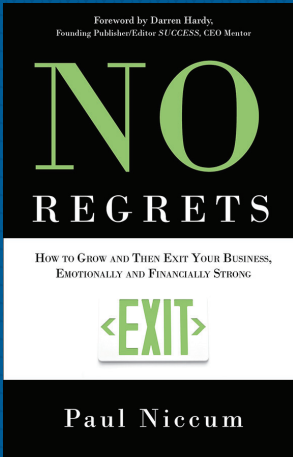
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## Are You Ready?

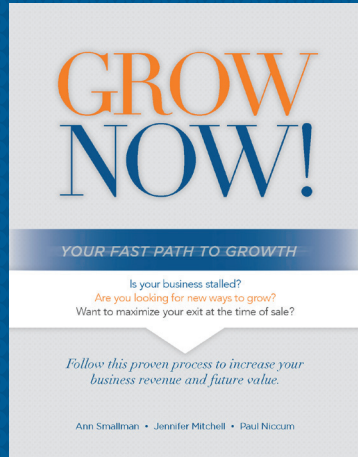
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