

EXIT OPTIONS: THIRD PARTY SALES



If you don't have suitable successors among your family or employees, you may decide to sell your business to a third party. In order to maximize your selling price, you must develop a step-by-step plan that increases the value of your business so that it is as attractive as possible to prospective buyers.

If you are selling a Main Street business (under \$2,000,000 sale price) you seriously need to understand the market. We are entering the most challenging period for business sales in history. Over the next 20 years, expect 150,000 owner retirements per year. Intermediaries (brokers, private equity and M&A) account for only about 9,000 transactions a year. That leaves a lot of folks looking for a way to cash out.

Selling to a third party requires that you have your internal house in order. Many variables can derail a lucrative sale, including:

- Stay-behind agreements for key personnel
- Governance and voting snags
- Minority shareholder rights
- Structural tax traps
- Depreciation recovery
- Build In Gains (BIG) taxes
- Vendor and customer approval rights
- Inventory valuation issues



Ready... Set... EXIT!



The tsunami of Baby Boomer retirements we will reach a peak of nearly 500 unsold businesses a day within the next 5 years. The statistics are immutable. That means you will inevitably be competing to sell your business in a buyer's market. When considering an exit from your business, you have only five choices.

The **first** is to simply ignore it and hope for the best. The **second** is to watch, and wait for an opening. The **third** is a planned liquidation. The **fourth** is to build your own internal exit plan, and execute it without the unknowns involved when taking your business to the market. The **fifth** is to build a business suitable for sale in a highly competitive environment.

To sell to a third party, a company must have strong systems, dependable revenues, accomplished management (not including you), and profitability greater than most other companies a buyer might consider, whether they are in your industry or not.

Take a FREE ExitMap® Assessment

The bottom line is that with each passing day, another 500 businesses go on the market. You need to take the time to put together a plan that builds value if your company even has a chance of being attractive to the next generation of buyers. Want to know where you and your company stand? Complete our free Assessment at MyExitMap.com.

