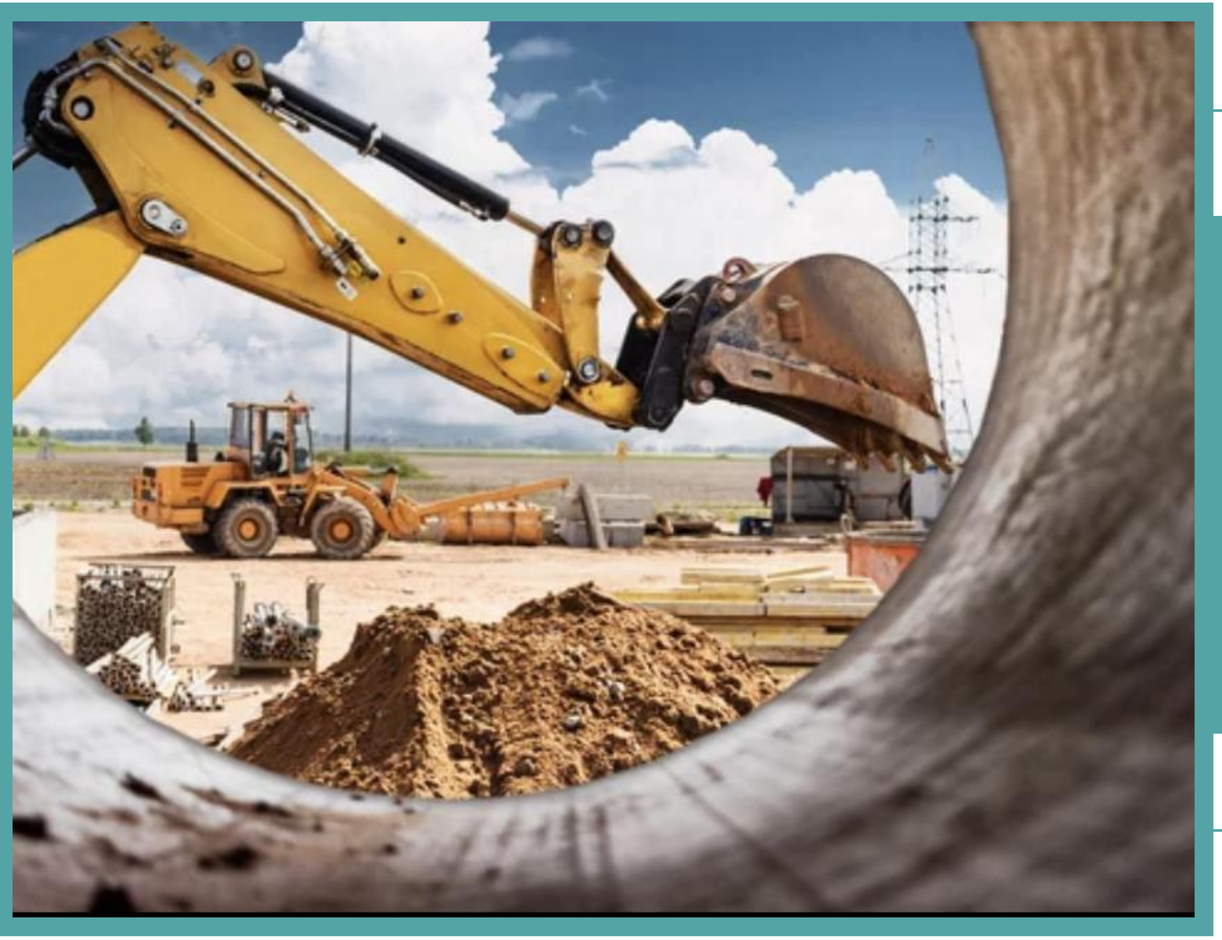


Exit Planning Options & Next Steps

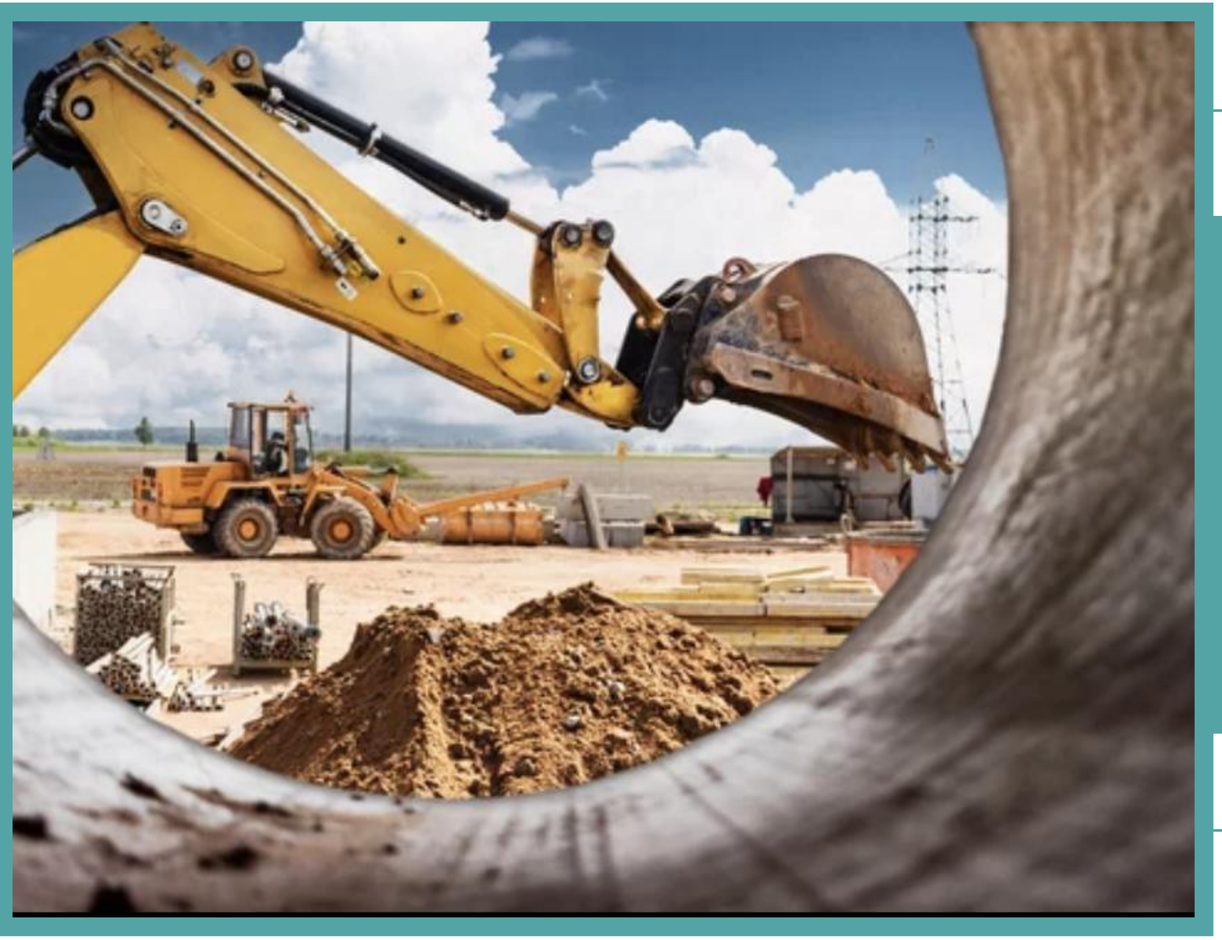
Jared Byas

AMERICAN SUBCONTRACTORS ASSOCIATION

Over 10 Years Experience Working with Over 200 Families

Common Good ADVISORS

FOR FAMILY BUSINESSES



Exit Planning Options & Next Steps

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YOU ARE GOING TO EXIT YOUR BUSINESS.

Exit Planning Is More Than — Selling Your Business — Retirement

IT’S ABOUT CREATING OPTIONS

What do you want?

3 WAYS TO EXIT

KEEP IT CLOSE
Internal Sale/Transfer

SELL TO THE MARKET
External Sale

WALK AWAY
Liquidate/Close

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

Family

BEST IF YOU WANT

- Continuity
- Cultural Legacy
- Family Ownership

High Risk & High Reward

Gradual Payout

Readiness is Critical

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

Key/MGMT

BEST IF YOU WANT

- Continuity
- Cultural Legacy
- Loyalty to Employees
- Known Successor

Known People & Culture

Financing Challenge

High Financial Risk

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family | **Key Emp./ Mgmt** | **ESOP** | **Strategic Buyer** | **ETA Search** | **Private Equity**

ESOP

BEST IF YOU WANT

- Continuity
- Loyalty to Employees
- Liquidity
- Company Independence

Employee-Centered

Potential Tax Advantages

Complex & Expensive

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

Strategic Buyer

BEST IF YOU WANT

- Maximum Value
- Continued Business Fit
- Cleaner Exit
- Business Resources

Potentially Highest Price

Potentially Cleanest Exit

High Integration Risk

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

ETA

BEST IF YOU WANT

- Continuity
- Owner/Operator Model
- Personal Transition

Chosen Successor

Clear Leadership Transition

Concentrated Trust

Who Takes it From Here?

INTERNAL CONNECTIONS

EXTERNAL INVESTORS

Family

Key Emp./ Mgmt

ESOP

Strategic Buyer

ETA Search

Private Equity

Private Equity

BEST IF YOU WANT

- Liquidity
- Growth Capital
- Professionalization
- Continued Opportunity

About the Money

About the Resell

Viable Option

Liquidate/Close

BEST IF YOU WANT

- **Simplicity**
- **Asset Liquidation**
- **Clean Break**
- **No Successor**

Simplest Path

Assets Not Enterprise

Viable Option

3 WAYS Businesses Get Valued

ASSETS
Value by Piece

INCOME
Value of Future Cash

MARKET
Value by Comparison

BUSINESSES AREN'T BUYING YOUR PAST. THEY ARE BUYING YOUR FUTURE.

If Exit Planning is About Options, then the most important priority is . . .

BUILDING A BUSINESS SOMEONE WANTS.

7 Value Drivers

1	2	3	4	5	6	7
Predictably Solid Financial Performance	Strong Leadership & Talent	Favorable Market Position	Data-Driven Growth Strategy	Thorough Risk Management	Operational Maturity	Proper Documentation

7 Value Drivers

Financial: Can I trust your margins?

Leadership: Does the business work without you?

Market: Are you dependent on a few GCs/customers?

Growth: Is growth deliberate or opportunistic?

Risk: Are contracts, insurance, compliance, & claims clean?

Operations: Are your processes repeatable?

Documentation: Can I understand what I’m buying?

TOP 3 DRAGS THAT DECREASE THE VALUE OF A BUSINESS

Top 3 Value Drags

1	2	3
Owner Dependence	Unpredictable Financial Performance	Customer Concentration

Owner Dependence

- Owner makes all major decisions
- Key customer relationships belong to the owner
- Employees go to the owner to problem-solve
- Owner is chief salesperson
- Business slows or bottlenecks when owner is absent

Unpredictable Financial Performance

- **Revenue swings wildly**
- **Margins fluctuate significantly**
- **Weak financial reporting**
- **No forecasting process**
- **Customer demand is inconsistent**
- **Significant one-time revenue events**

Customer Concentration

- **Customer is over 20% of revenue**
- **Top 5 customers represent over 80% of revenue**
- **Relationships are only personal**
- **No formal contracts**

Top 3 Value Drags

1

OWNER DEPENDENCE

The Business IS the Owner

Buyer: “I’m not buying a business, I’m buying a job.”

2

UNPREDICTABLE FINANCIAL PERFORMANCE

How Can We Know What Next Year Will Look Like?

Buyer: “I’m not buying past cash flow, I’m buying future cash flow.”

3

CUSTOMER CONCENTRATION

Success Depends on One Customer

Buyer: “That’s a Risk I’m Not Willing to Take.”

Business Value Exercise

On a Scale of 1-5, Rate the Following

_____ My company can operate without me.

_____ Our financial performance is predictable.

_____ No customer represents a dangerous concentration of revenue.

_____ Management team carries significant strategic, planning, & problem-solving weight

_____ Our important processes are documented.

_____ Our financials would survive serious due diligence.

_____ We have a believable growth strategy.

So What's Next?

3 Transitions of Exit Planning

FINANCIAL

How will you have enough?

LEADERSHIP

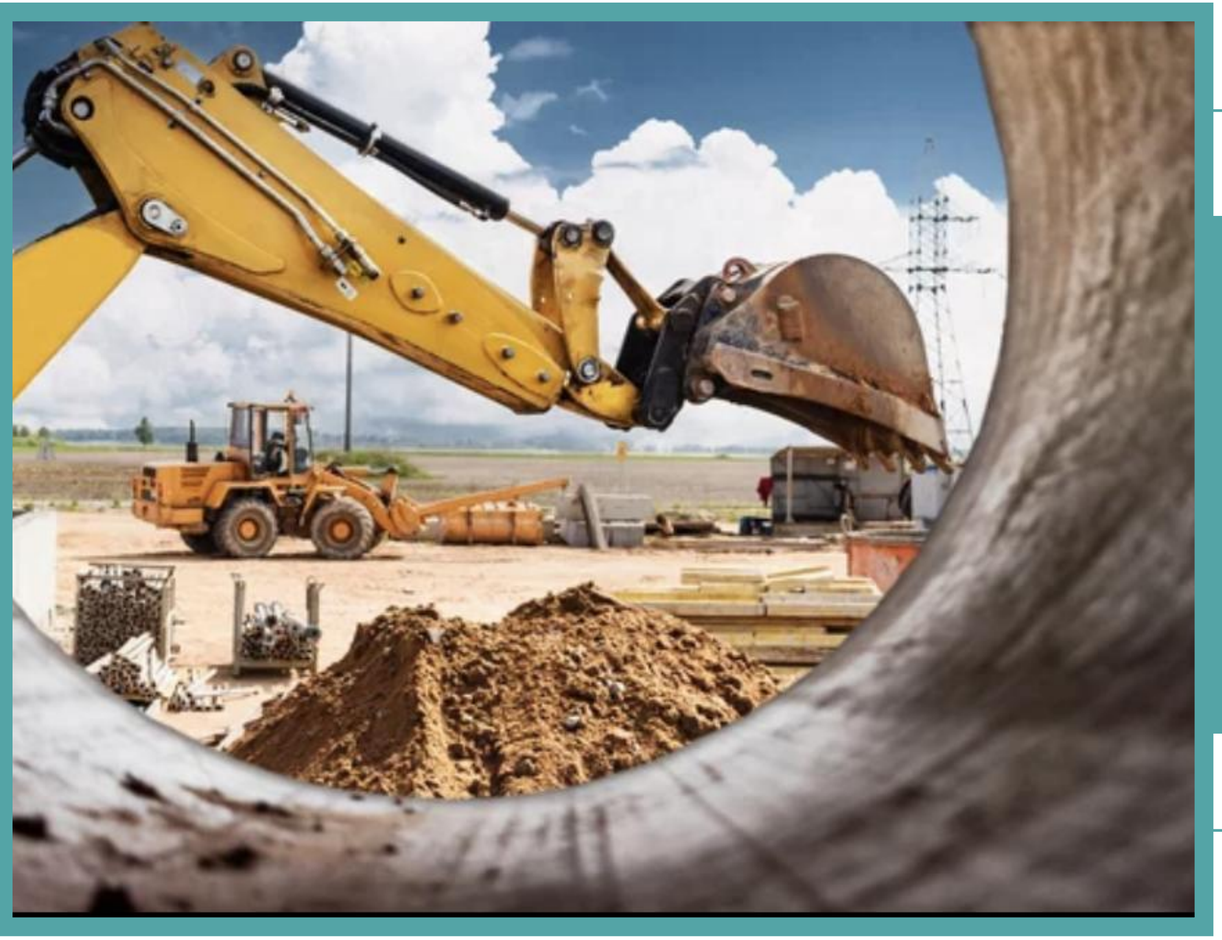
Who runs the business next?

PERSONAL

What is your next chapter?

Next Steps

- Focus on Increasing Options
- Know What You Want
- Know What It’s Worth
- Know How to Increase Value
- Focus On Your Low Score Drivers
- Start Clarifying Your Next Chapter



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