Get fit. Get funded. Get big. Get out.

Is your business exit ready? How prepared are you if the opportunity arose?

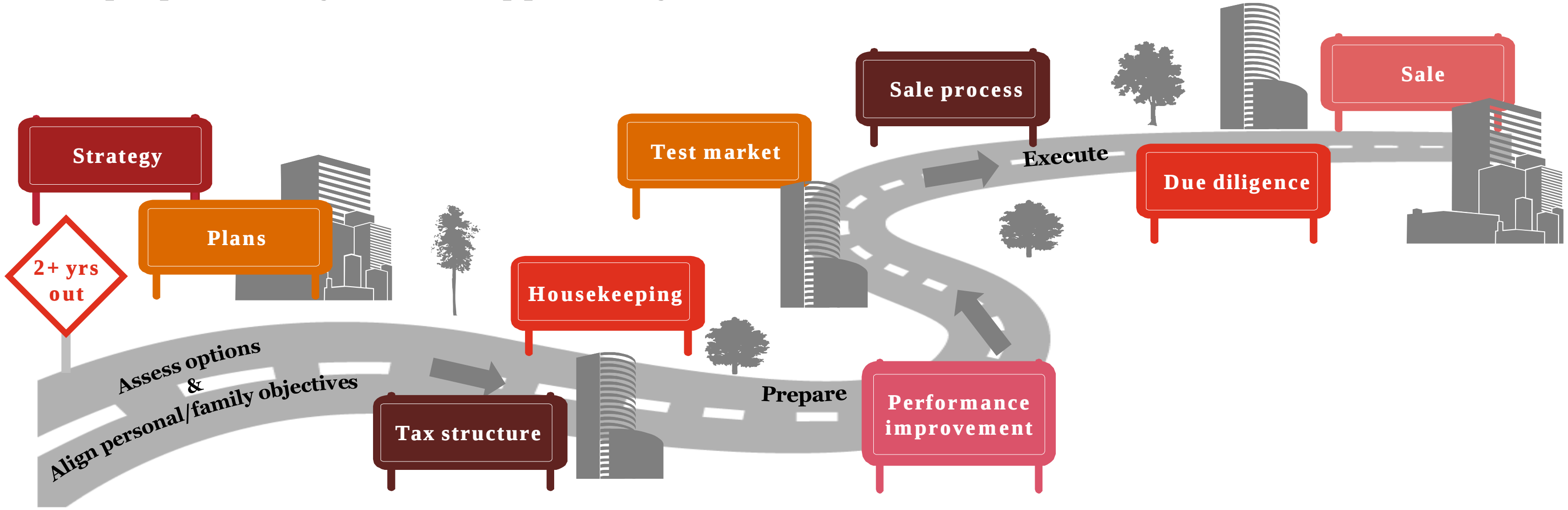
What is your strategy for selling part/all of your business or transitioning ownership?

Does your strategy align with personal and family objectives?

What is the value of your business to a buyer?

Do you understand the factors that can enhance or diminish value?

Can you respond quickly to market conditions to maximise price – are you deal ready?



"Private Equity are professional business buyers and sellers and they typically take 3-5 years to prepare their investments for sale"

Top 10 tips for preparing to exit your business

1. *Take your time*
You will generally achieve a better result if you allow at least 6-12 months to properly plan the sale of your business.

2. *Put family first*
Take family objectives into account prior to embarking on a path to sale; small differences now can become magnified nearer the point of sale and put the process at risk or lead to family conflict post sale.

3. *Know your buyer*
The natural buyers of your business will typically pay the highest price; identify who they are and how they assess value so you can prepare your business to maximise valuation and competitive tension on sale.

4. *Make yourself redundant*
If you are the key person running the business you need to step away and hire a strong CEO/GM and support team who can prove themselves for at least a year prior to sale; this will give a future buyer comfort the business won't fail without you.

5. *Pay for some housekeeping*
One of the biggest problems we see is a lack of investment in professionalising the business; sort out financial reporting and accounting, separate the owner's affairs from the business and tidy up legal and operational risks.

6. *Work your EBIT (Earnings Before Interest and Taxes)*
Every sustainable dollar added to the EBIT figure is worth 'x' times EBIT when you come to sell; ideally give yourself two years to realise profit improvement initiatives and demonstrate their sustainability to buyers.

7. *Leave something for the next guy*
Buyers will pay more if there are opportunities for future growth, such as new products, geographic expansion, or new channels; plan and partially implement these opportunities so that buyers can believe them, and therefore be willing to pay for them.

8. *Protect your sales proceeds*
Any proceeds you make from selling your business will be after tax; make sure you have the right tax structure for sale. Also, draw up a wealth strategy for protecting your post-sale proceeds to meet retirement and succession goals.

9. *Be prepared as timing can be everything*
The M&A market in any given industry can grow hot and cold very quickly, and have a large bearing on valuation; get your business in a sale-ready condition as early as possible so you can respond quickly to changes in the market.

10. *Above all do your homework*
You only get one shot at selling your business; engage the help of professionals when required; remember selling your business is very different to running your business.

How will you realise the potential of your business?

Our Plan On A Page

You generally only get one shot at selling your business. You will achieve a better result if you do your homework and give yourself time. Life after you've exited can be quite different and requires more planning than you would anticipate.

Two underpinning principles of getting exit ready

- The knowledge and skills required to sell your business can be quite different to those required to operate it. As with any important commercial decisions which impact your business or the value of your equity in your business, you will tend to make better decisions if you.

#1 Take your time

#10 Above all do your homework

- Every owner exits their business at some stage! Domestic and international economies are increasingly volatile, and personal or business circumstances can change dramatically at short notice. Being able to take your time to make and plan for your exit is therefore a luxury which you should take advantage of, even if the planned timing of your exit seems far off.
- Having a ready-to-go exit plan is like having an insurance policy. It can protect the wealth that remains locked in your business until you sell your equity, and it can protect your family and personal well being.

Owners can ask themselves the following important questions to kick off their homework, and start to prepare an exit road map which fits with their own personal, family and business circumstances:

- What are your long term ownership/wealth objectives? How much is enough (to cover retirement, family, lifestyle needs)?
- Have you considered how your purpose, personal goals, family relationships will change after you exit?
- What is the value of your business to a buyer now and what could the value be when you plan to exit? Would different buyers value your business differently? What factors that can enhance or diminish value?
- Can you respond quickly to a change in business or personal circumstances in order to effectively exit your business at short notice?

A major focus of your homework is to maximise business value

- Owners know their business better than anyone, however a third party's valuation for their business often can be quite different to their own.
- A rule of thumb valuation for 100% of the shares of a company is ('normalised' EBITDA x multiple) less (net cash minus debt)
- The 'multiple' is a function of market growth/risk dynamics, expected future earnings growth rate, confidence in the sustainability of future cash flows, the scale and strength of the business and its risk characteristics – all of which can be worked on. Private companies (in more traditional industries) with annual turnover of $10m-100m typically attract EBITDA multiples in the 3-7 range.
- Valuation is often in the eye of the beholder. Different buyers may pay more or less for your business depending on their own perceived value.
- The following exit ready tips focus on increasing **sustainable** profitability or the earnings multiple, or a combination of both:

#3 Know your buyer

#4 Make yourself redundant

#5 Pay for some housekeeping

#6 Work your EBIT (Earnings Before Interest and Taxes)

#7 Leave something for the next guy

Your homework should also focus on preparing for your life changes after exit – Including personal/family well being

- Wealth can needlessly leak away through poor tax planning on exit or ineffective financial planning. As importantly, realising significant wealth and transitioning away from running and/or owning a business can significantly impact personal and family well being.

#2 Put family first

#8 Protect your sales proceeds

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