



Exit Planning Is Not What You Think

By Chris Snider, CEPA
CEO, Exit Planning Institute
Author, Walking to Destiny

HISTORICAL SUCCESS RATES



12 months after selling, 3 out of 4 business owners surveyed “**profoundly regretted**” the decision.



70-80% of businesses put on the market don't sell.



Only 30% of all family-owned businesses survive into the second generation; 12% survive into the third generation; and only 3% operate at the fourth generation and beyond

AGE WAVE – A BIG DEAL

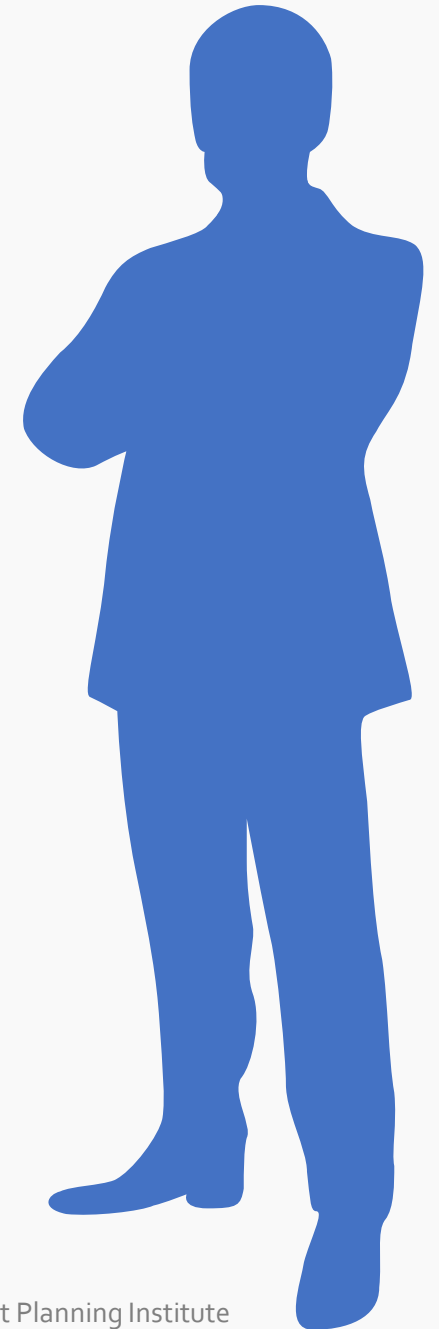


Boomers: Own 63% of private businesses in the U.S.

Age Range: 57 to 75 years old. AVERAGE: 66

Ownership: 4,000,000 businesses = \$10 trillion of wealth.

Wealth Lock: 80% of that owner wealth is locked in the business.



Economic and Social Forces in Play



We are in the midst of an unprecedented **generational transfer** socially and economically.

The Baby Boomers



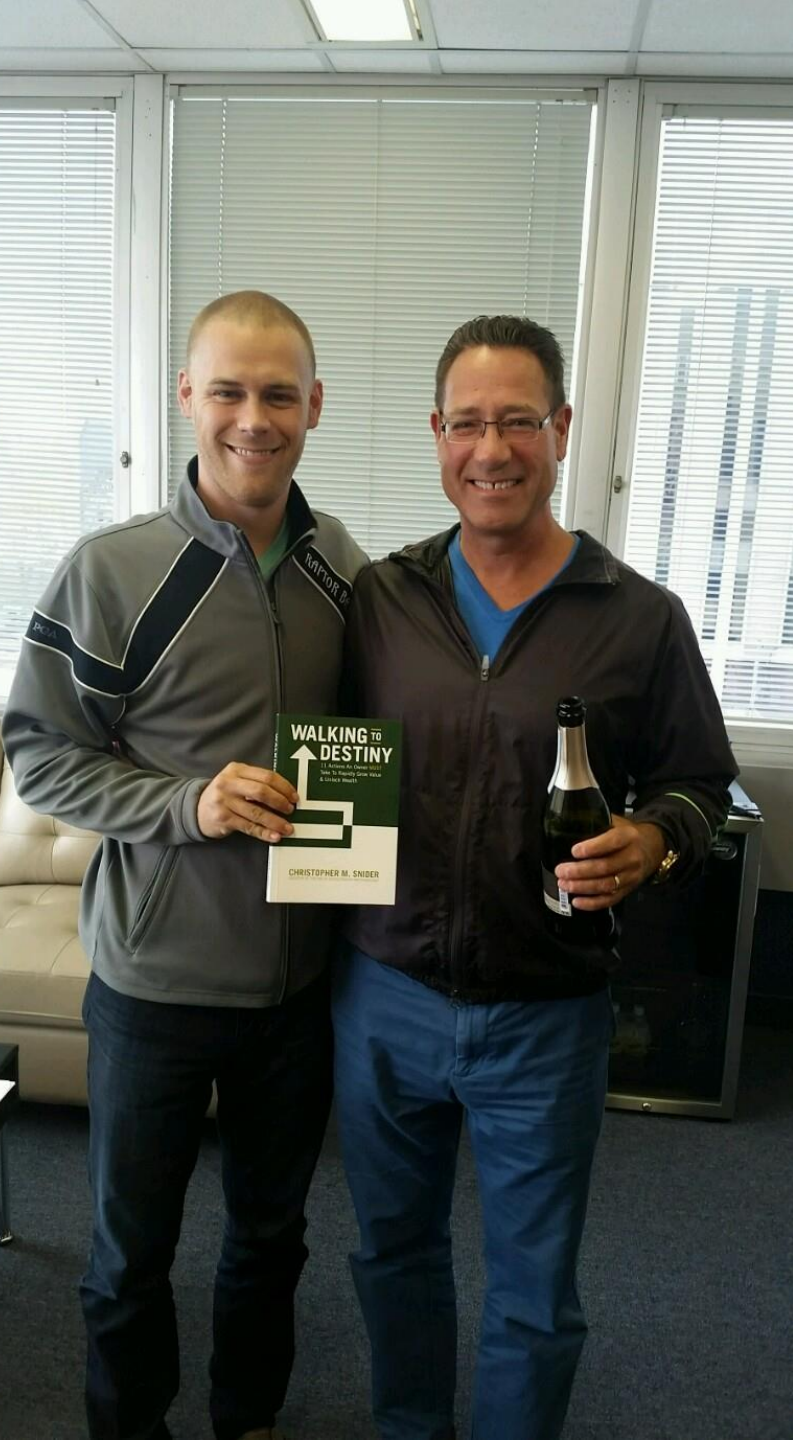
	Traditionalists	Baby Boomers	Generation X	Millennials
Birth Years	1900—1945	1946—1964	1965—1980	1981—2000
Gen Nicknames	Moral Authority	<i>"Me" Generation</i>	Gen X	Gen Y; Echo Boomers
Key Attribute	Committed to Company	<i>Ability to Handle Crisis</i>	Work/Life Balance	Ambitious But Not Focused
Work Ethic	Pay Your Dues	60-Hour Work Week	Work Smarter, Not Harder	What's Next?
Views on Money	Pay cash	<i>Buy now, pay later</i>	Save, save, save	Earn to spend
Core Value	Family/Community	Success	Time	Individuality

The Market



An **unprecedented** transfer of private business owner wealth is beginning to occur...

	<u>Sales Range</u>	<u># of Cos</u> <u>(thousands)</u>	<u>%</u>	<u>Sales \$</u> <u>(trillions)</u>	<u>%</u>
Micro Market	< \$5M	5,678	93.9%	3.57	12%
Lower Middle Market	\$5M - \$100M	351	5.8%	5.84	20%
Upper Mid Mkt and Above	> \$100M	<u>21</u>	0.3%	<u>20.33</u>	68%
Total Employer Firms		<u>6,050</u>	100%	<u>29.74</u>	100%
Non-Employer Firms		<u>21,708</u>		<u>0.99</u>	
Total All Firms		<u>27,758</u>		<u>30.73</u>	



Exit
Planning
Institute™

The Exit Planning Institute serves as a platform for:

- Creating Awareness
- Advisor Collaboration
- Innovative Learning
- Continuing Education
- Defining Methodology
- Research
- Thought Leadership
- Practice Development



Exit
Planning
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CHANGE THE OUTCOME

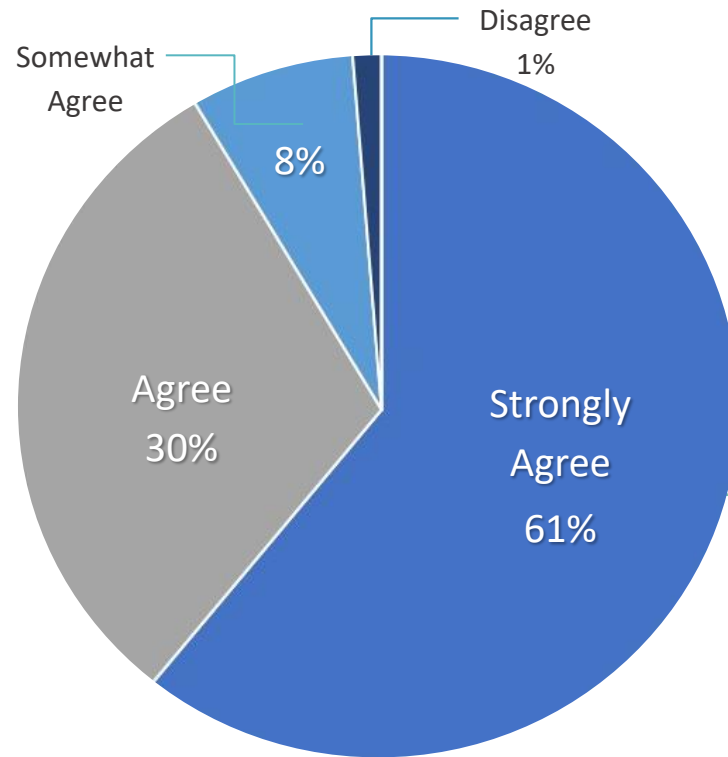
BY IDENTIFYING, PROTECTING, BUILDING,
HARVESTING, & MANAGING BUSINESS WEALTH

State of Owner Readiness Study™



99% OF OWNERS *AGREED* WITH THIS STATEMENT:

“Having a transition strategy is important both for my future and for the future of my business.”



AND YET...

85% HAVE HAD NO FORMAL BUSINESS VALUATION.

78% HAVE NO WRITTEN TRANSITION PLAN.

49% HAVE DONE NO PLANNING AT ALL.

80% HAVE NO FORMAL VALUE MANAGEMENT PROGRAM.

67% ARE NOT AWARE OF ALL EXIT OPTIONS

Why not Addressing



Drastically Underestimate Effort

Important – Not Urgent

Do not want to exit – “What would I do?”

Can't – Business Not Salable or Transferable

Trapped – Need Income from Business

Too Few Engage Outside Points of View

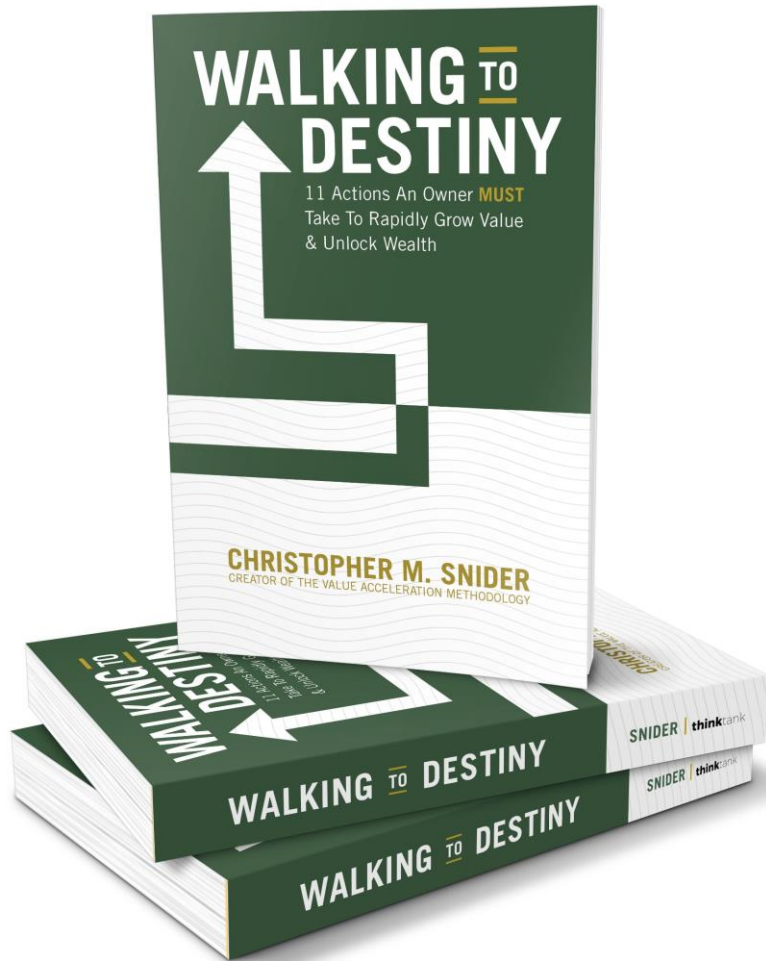
Wrong Advisors and Board Members

The Solution



CHANGE THE **PARADIGM**

“The way we see the
problem is the problem”
- Stephen Covey



FOUR CORE CONCEPTS

1. Three Legs of the Stool
2. 5 Stages of Value Maturity
3. The 4Cs
4. Relentless Execution



The Three Legs of the Stool

A Successful Exit Strategy Has Three Legs:

- ▶ Maximizes Transferrable Business Value
- ▶ Ensures Owner is Financially Prepared
- ▶ Ensures there is a plan for “What Next?”

Peter Christman
Cofounder of the Exit Planning Institute
Author of The Master Plan



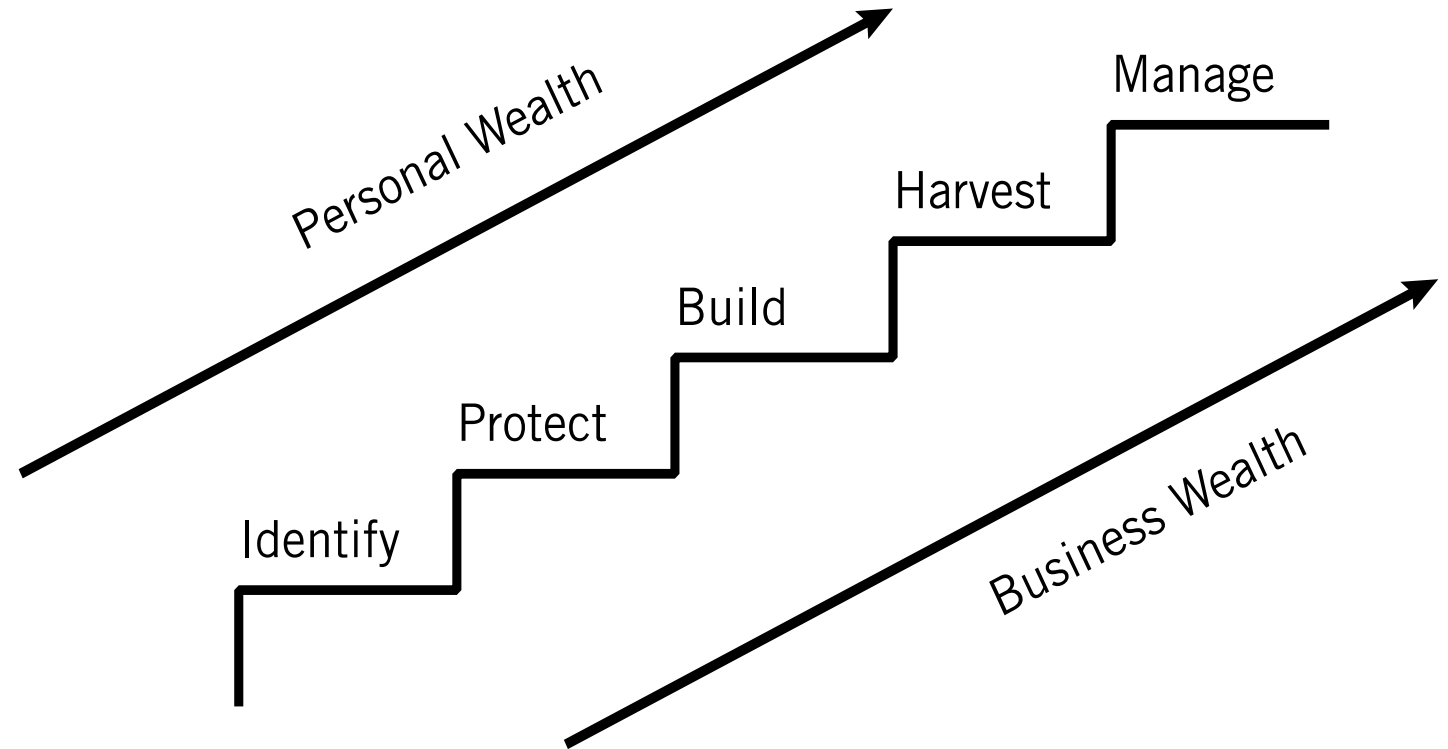
A man with dark hair and a beard is shown from the chest up, looking upwards and to the right with a thoughtful expression. A large white thought bubble is positioned above his head, containing the text 'Value?' and 'Income?'. Two smaller white circles lead from the bottom of the thought bubble towards the man's head.

Value?
Income?

You can have both
income AND value, but only
if you focus on **value first.**

VALUE MATURITY INDEX™

5 Stages of Value Maturity



The 4Cs

STRUCTURAL

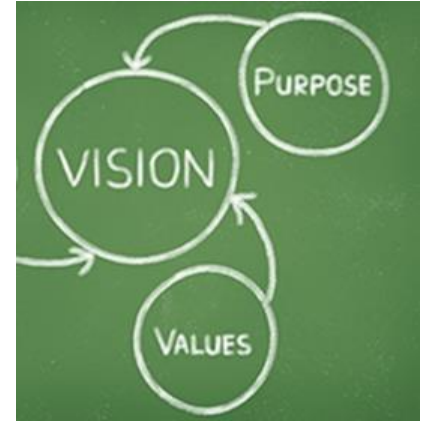


CUSTOMER



Relentless Execution

- Vision
- Alignment
- Accountability
- Rhythm



Accountability



The Solution



Exit planning is business strategy

- Commercialize Value Acceleration Methodology™
- Released Walking to Destiny in 2016
- Re-tool the CEPA program: 4 Concepts, Teams, Language
- Paradigm Change: Focus on VALUE first
- Focus on the present & deliver results in 90 days
- Manage Risk before Building
- Be prepared for unsolicited offers
- Improve family transition rates
- Build value with the option to sell at a premium

VALUE ACCELERATION

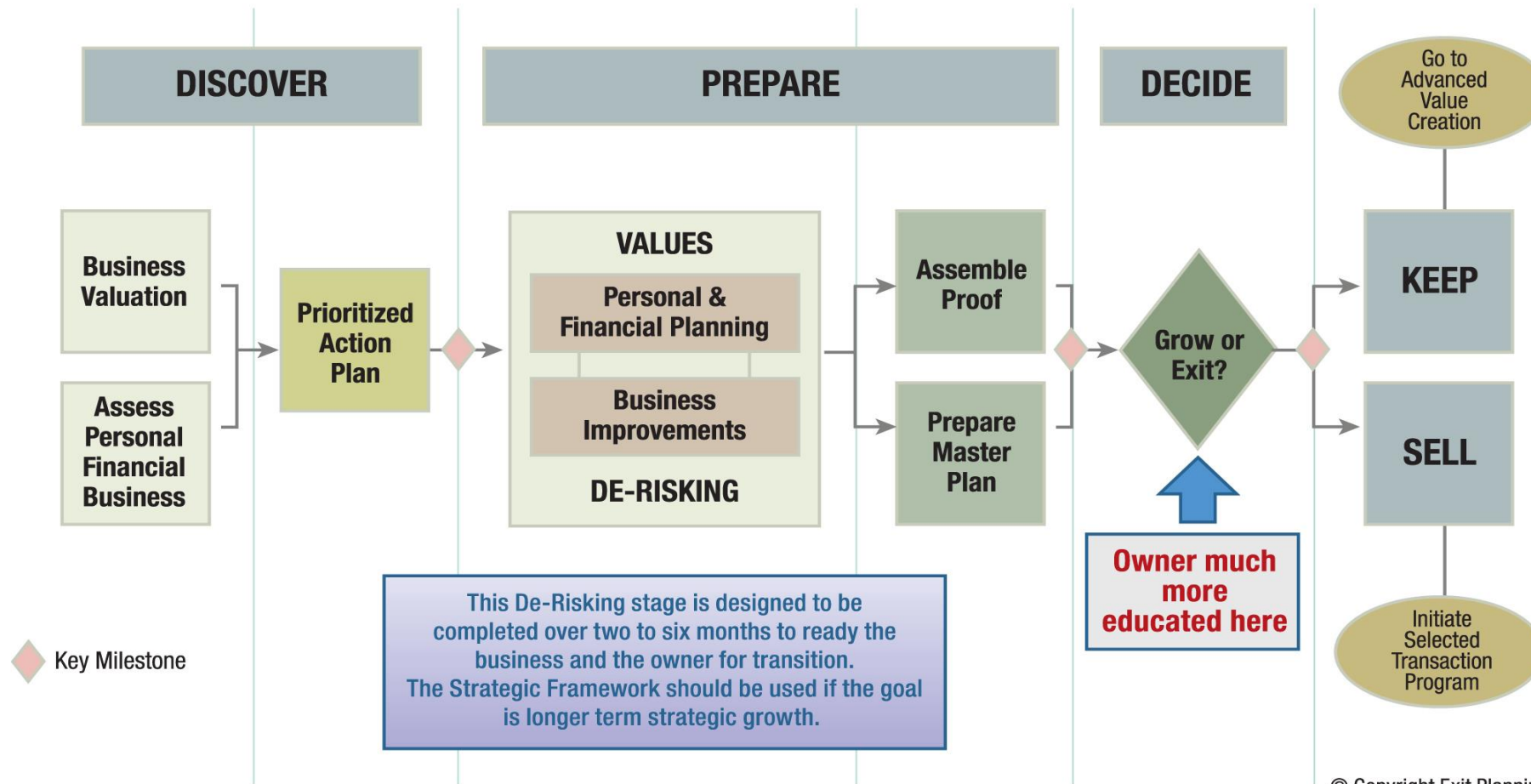
A proven process that focuses on value growth and aligning business, personal, and financial goals.

- Integrates the three legs into one Master Plan
- Is grounded in ACTION
- Promotes use of teams in an engaging process
- Creates a roadmap to success
- Provides owner key deliverables & metrics
- Creates a Leap in Value

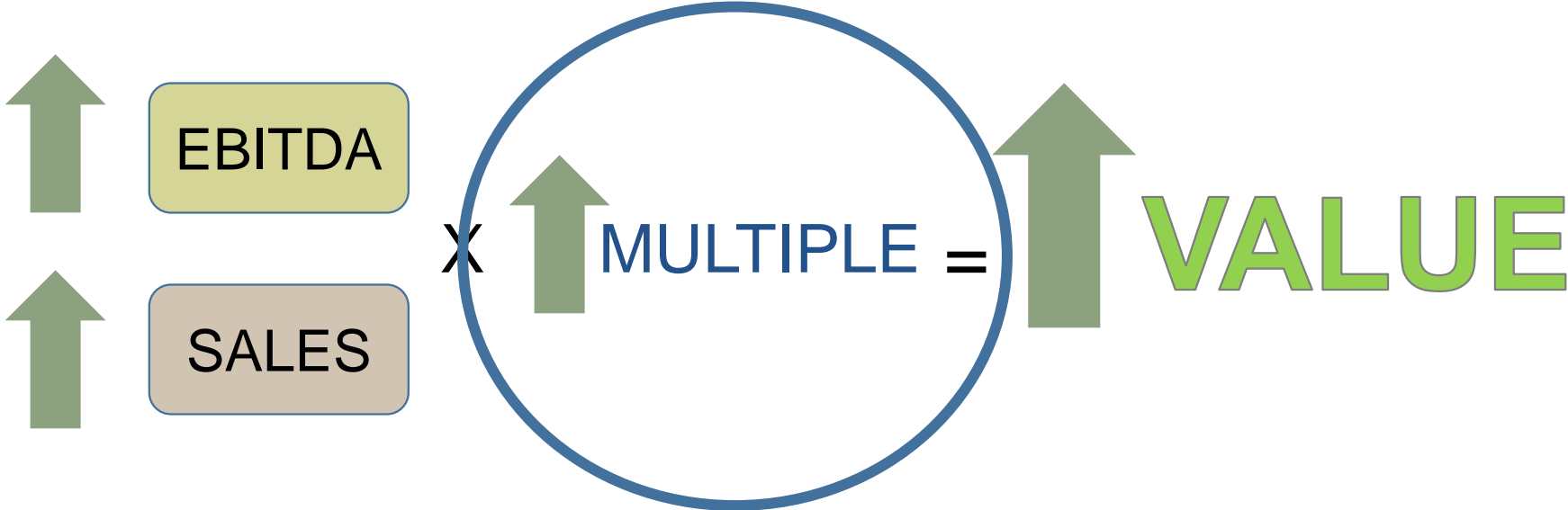




EPI Value Acceleration Process



STRATEGIC VALUE IS SIMPLE MATH



Predictable Cash Flow
Clean Balance Sheet
Size Matters!

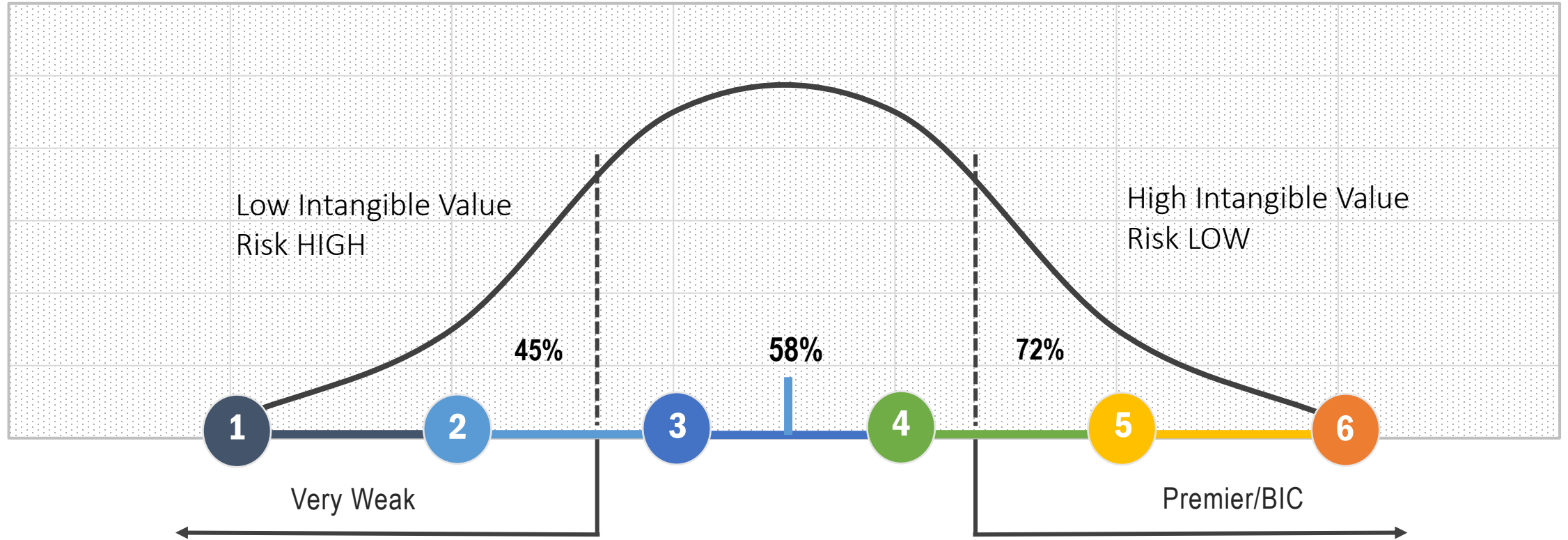
You control

Private Capital Market Conditions
Terms / Exit Option

Intangibles (Value Factors)

You control some

RANGE OF VALUE



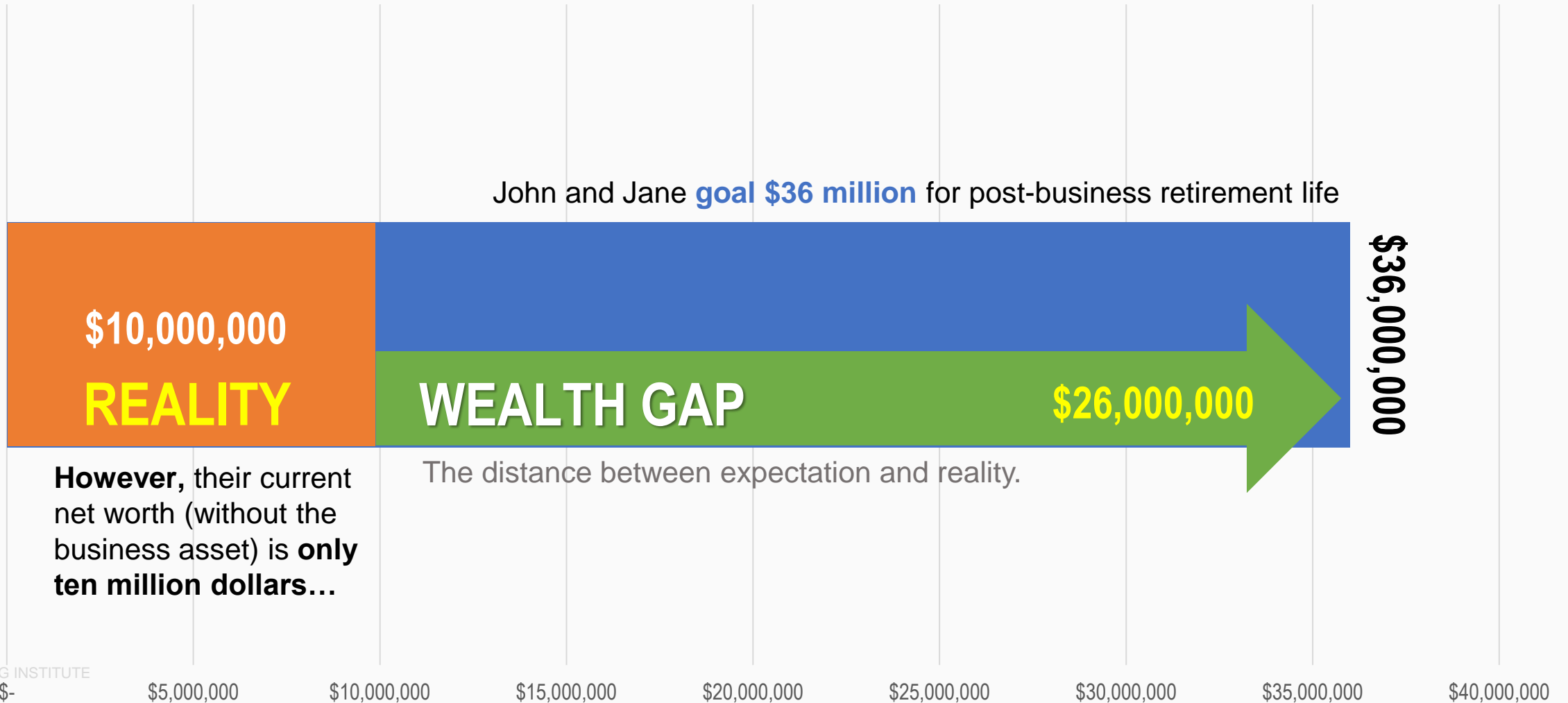


THE TRIGGERING EVENT

**AN INDEPENDENT PERSONAL,
FINANCIAL, AND BUSINESS
ASSESSMENT CORRELATED TO
BUSINESS RANGE OF VALUE**

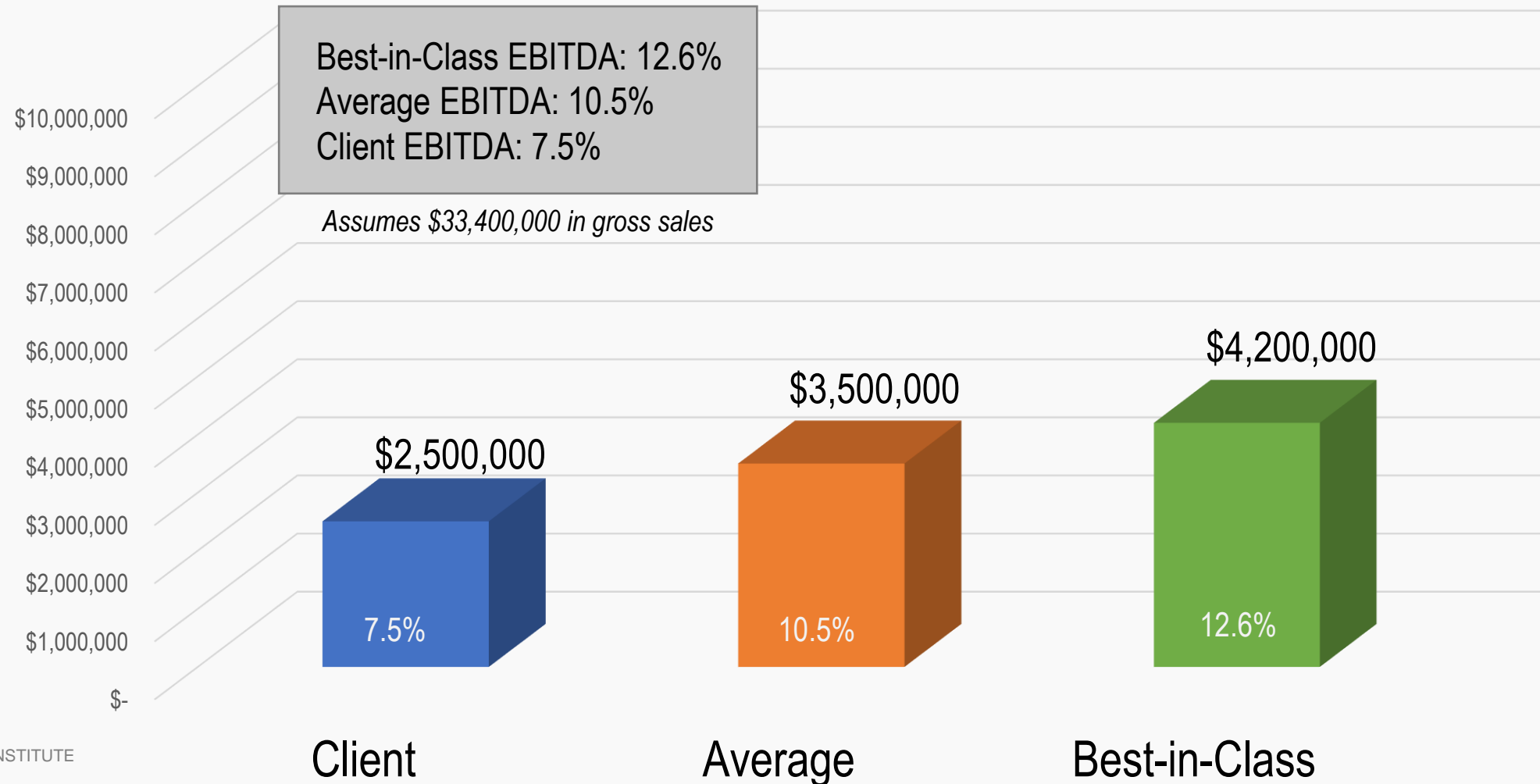
WEALTH GAP

EXPECTATION VERSUS REALITY



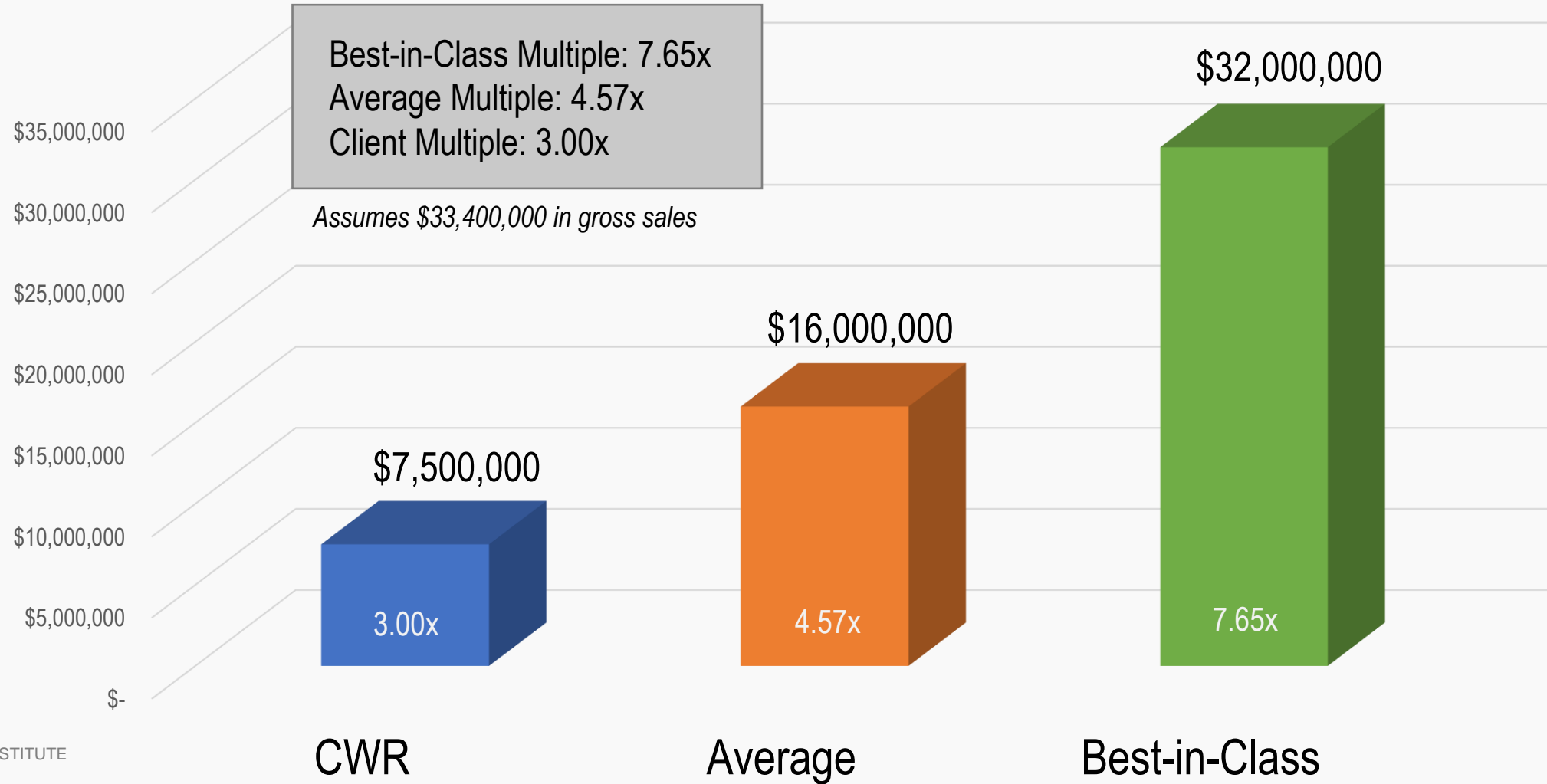
PROFIT GAP

HOW MUCH MORE EBITDA?



VALUE GAP

HOW MUCH MORE VALUE?



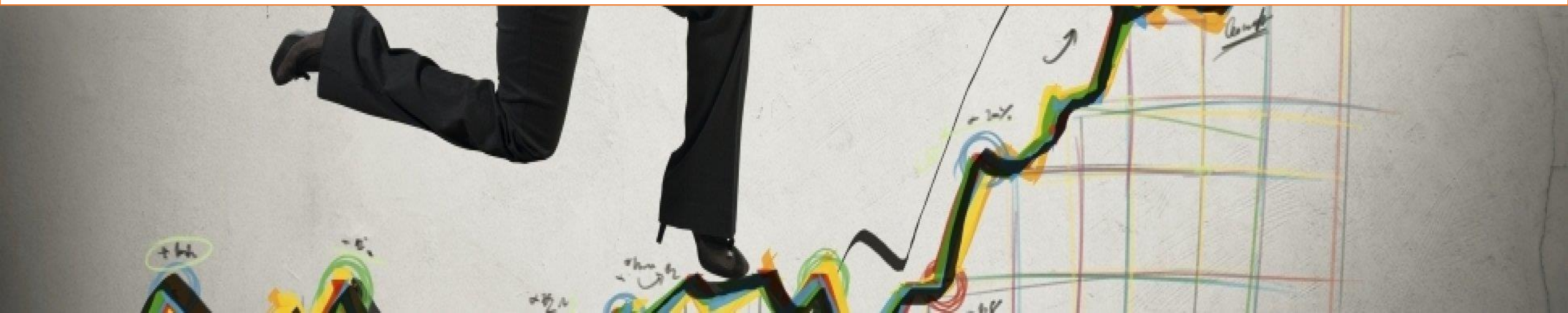
READINESS VS. ATTRACTIVENESS

- Exit & Growth readiness can be confused with attractiveness—understand the difference
- **Attractiveness Score:** How attractive is the business from a third party point of view?
- **Readiness Score:** How ready are the owner and the business to transition and scale?





“90-Day Sprints” is a continual loop of prioritizing, executing, measuring, reconnecting, and recalibrating every 90 days.



Every 90
Days

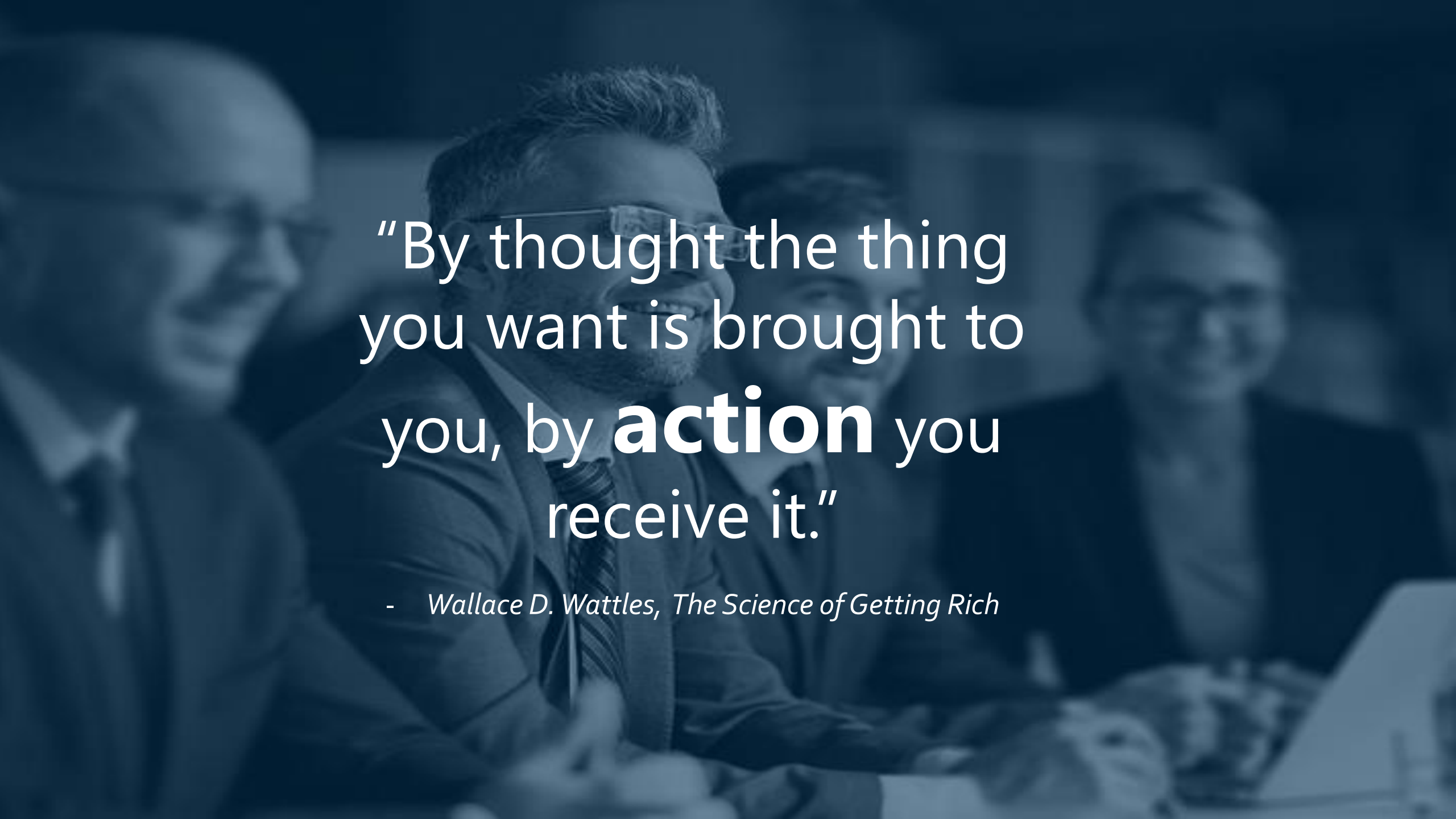
FOUR key questions need to be answered in this order:

1. Do I want to keep growing or do I want to exit?
2. Am I ready and is my business ready and attractive?
3. Which option or hybrid option is best?
4. Is this the right time to transition?

**Exit
planning is
simply good
business
strategy.**

CHANGE THE PARADIGM.
EXIT PLANNING INSTITUTE





“By thought the thing
you want is brought to
you, by **action** you
receive it.”

- *Wallace D. Wattles, The Science of Getting Rich*

Recs & Options

1. Formal business valuation by a CEPA

- Know (don't guess) your present and BIC value and the actions to enhance
- Know your real number – require from CPA
- Know your 3 Gaps
- Know your Attractiveness vs. Readiness

2. Personal & Business Risk Analysis

- Prepare a written Contingency Letter/Plan

Recs & Options

3. Consider how to integrate Value Acceleration into your business operations

- Small teams
- Small scopes / incremental progress
- Measure value gain at minimum annually
- Get your whole team focused on value

4. Complete the Are You Ready Questionnaire

Recs & Options

5. Assess your advisor team & board

- Do they have the right skills and experience?
- Are they credentialed?

6. Educate yourself – Have the edge

- Walking to Destiny, Chris Snider, CEPA
- Your Baby's Ugly, Justin Goodbread, CEPA
- Every Family's Business, Dr. Tom Deans



YOUR PARTNER IN EXIT PLANNING



Visit www.Exit-Planning-Institute.org

and learn more from the authority in exit planning and value acceleration.

The Future is Now

“I believe luck is preparation meeting opportunity. If you hadn't been prepared when the opportunity came along, you wouldn't have been lucky.”

-Oprah Winfrey





Presenter

Chris Snider, CEPA

Award-winning Author of *Walking to Destiny*,
Creator of the Value Acceleration Methodology,
2017 AM&AA Thought of the Year, Managing
Partner of Snider Premier Growth, CEO of the
Exit Planning Institute

