

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

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Looking for Financial Clues to your Exit Readiness

Where to start? Business owners who have not been through an Exit Planning process, and many of them have not, are often unsure about how we begin and what information is important. Whether you plan to transfer your business to an insider, sell to a third party or simply retain your ownership indefinitely, demonstrating your company's financial ability through sound financial statements is a critical step in planning for a successful future for your ownership interest. When you first meet with an Exit Planning Advisor, he or she will want to determine your company's current financial status, an assessment that involves reviewing:

- Business tax returns for the previous two to three years;
- Current financial statements of the business; and
- Your personal financial statements.

Does your Exit Planning Advisor need your company's financial statements at your initial planning meeting?

Yes. He or she will continuously refer to your financial statements throughout your relationship, using them at first to get an initial, but still comprehensive, understanding of your business. As you work through identifying your goals and objectives and then evaluating potential planning opportunities, your advisors will use your financial statements as one reference point to guide you through a planning process and refine planning ideas and their expected impact on your business.

What are we looking for?

First, the company's financial statements not only allow your advisor to understand your current financial position, but enable him or her to effectively gauge what you have already accomplished and what remains to be accomplished to create a successful Exit Plan. As your advisor identifies areas in your business that need strengthening, he or she, either alone or in collaboration with other advisors, can suggest and help you implement strategies to create a positive cash flow trend or increase profits. The goal: to achieve your overall exit objectives.

Second, your financial statements provide much-needed insight into what makes your business tick and what criteria you use to base all of your financial decisions. For example, your past decisions to increase/decrease company debt, invest in intellectual property development or reduce inventory may tell your advisor about the state of your business, your industry or your strategic plans.

Third, and most importantly, financial statements provide cash flow information which we can use to determine both an estimate of the value of your company and its possible sale price. Financial statements show you and your advisor the historic earnings, cash flow results and past years' trends.

Historic results and trends can be indicators of your company's future performance. Your advisor should work closely with you to understand how those results and trends are likely to affect the future. In short, we need this information to estimate what you can reasonably expect to receive in total value as a result of your ownership interest leading up to and through your eventual exit.

Unrealistic...Who me?

Finally, reviewing your financial statements with your advisors will help to dispel any misconceptions you may have about your company's value and the likelihood of growing value. For instance, you may believe that recent improvements will double cash flow and company profits over the next couple of years. Your advisors, however, will also look at your company's historical trends to determine whether past cash flow activity supports your belief.

In short, the starting point for sound Exit Planning begins with reviewing well-prepared financial statements.

If you have any questions about the importance of financial statements in the Exit Planning process, please contact us to discuss your particular situation.

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Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

As a Certified Exit Planning Specialist, Denis brings a unique blend of experience to the marketplace having been involved in more than 100 transactions as a buyer, seller, investor, advisor or financier of businesses throughout his career. He previously was involved in private equity for ten years and was responsible for identifying, underwriting, structuring, closing and managing investments including developing growth and exit strategies. In addition he has served as a director of a variety of both domestic and international privately held companies.

Pace Capital Advisors provides merger and acquisition advisory services to owners of lower middle market businesses in the Southeastern US, typically companies with revenues ranging from \$5 million to \$50 million. Our target market comprises entrepreneurs, family business owners, and other privately-held business owners who seek the guidance and counsel of proven merger and acquisition professionals when considering the complex set of options available to them for selling or transferring ownership of their business. Our services range from preparing business owners and their companies for the process of ownership transition to full responsibility for conducting a business sale process on the owners' behalf. Pace's principals have acquired and sold numerous businesses during our careers in private equity, corporate development, investment banking and venture capital. We know how to properly package and position a business to maximize its transferable value. Our experience includes over one hundred merger and acquisition transactions in which we have occupied almost every seat at the transaction closing table - buyer, seller, owner, lender, and M&A advisor. We know what it takes to make a deal work, strategically, financially and psychologically, how to prepare business owners and their companies for the sale process, and what it takes to close the deal. (404) 843-8618

Pace Capital Advisors, LLC is a Mergers & Acquisitions Advisory firm serving the lower middle market primarily in the Southeast, typically companies with revenues ranging from \$5 million to \$50 million.

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