

PACE Capital Advisors

Creating Transferable Value

This issue brought to you by:

Denis M. Brown

dbrown@pacecapitaladvisors.com

Pace Capital Advisors, LLC

5279 Glenridge Drive NE

Atlanta, GA 30342

<http://www.pacecapitaladvisors.com>

[404-843-8618](tel:404-843-8618)



Why Exit Planning? Why Now?

“In preparing for battle, I have always found that plans are useless but planning is indispensable.” - Dwight D. Eisenhower (As quoted in Six Crises by Nixon, Richard (1962). “Krushchev.” Doubleday.)

General Eisenhower’s point was that the process of creating a plan provides value because it forces the planner to consider (and make provision for) “What if events don’t proceed as planned?” A plan not only provides context and the basis for adapting to new and unanticipated events, it also provides alternatives based on assumptions about goals, objectives and resources that may need revision.

As advisors, we know that business owners who create business plans are able to react more quickly to new events than can those without.

Unfortunately, even owners who have business plans fly without Exit Plans, co-pilots, or maps to help them when storms force them to alter course toward their business exits. If an unanticipated event arises (such as a significant change in the national economy), they shelve their Exit Planning thinking (and thinking is all they may have since they haven’t created a written plan) because their only option is to wait for conditions to stabilize or improve. These successful owners would never consider a similar passive response to be acceptable in a business plan.

If the value of an Exit Plan isn’t already obvious, let’s look at a few hard, cold facts.

First, you are far from the only fish in the sea. As the wave of Baby Boomers (born between 1946 and 1964) reaching and passing retirement age crests, the departures of those who own businesses could result in a glut of companies for sale, driving down

valuations and giving new leverage to buyers. Simply put, it may become a “buyer’s market” and sellers, such as yourself, may be forced to accept less-than-ideal prices or terms for the sale of your business.

Second, if you are a Baby Boomer, the generation following you is not nearly as numerous so expect far more sellers than buyers in the marketplace. This too, adds to the glut.

Third, even during boom times not all owners who want to sell their business are actually able to sell. There is quite a lot of variation, even among similarly sized businesses in the same industry. Differentiating factors become magnified and elements that were not that important while you were growing your business can become glaring deficiencies. You need a clear competitive advantage to grow, thrive and ultimately exit on your preferred terms.

Fourth, if you choose to wait for an ideal time to exit as your exit strategy, such as when buyers are active or markets are good, you give up control of the timing of your exit, how much and the terms of payment you’ll receive, and even the type of buyer. Are you confident that the next boom cycle in your industry or in the economy overall will appear when you need it?

And finally, if your reason for putting “Exit Plan” at the bottom of the list is because you believe that until the economy or your business improves to a certain level your time and money are better spent preserving and growing business value, understand that working to create a valuable company is an integral part of any successful Exit Plan. So why not start (or move the ball forward) now?

The benefits of Exit Planning include:

- preparing you, your business and your family for a successful future
- control over the timing and terms of your exit
- customized solutions and action steps tailored to your exit objectives
- laser focus on the value-building aspects of the business that buyers seek and successor owners need
- time-sensitive accountability for each action step necessary to build value and position the business for the next owner
- benchmark changes in business value, management team performance and other critical factors

Concentrating your effort today on growing business value—either as a discrete project or as part of a comprehensive Exit Plan—affects both your ability to sell your company and the price you will be paid. In fact, your value-building plan will be inseparable from your Exit Plan.

Bottom line, the process of planning is what we mean by *working on*, not just *working in*, your business. Only the planning process sets up the best opportunity to exit your business on your own terms despite the glut of sellers, dearth of buyers, vagaries of the market and investment world, and the myriad of known and unknown influences on your business.

You can start planning today by working through a narrowly focused set of top priorities, or by attacking all aspects of the future of your ownership as a comprehensive process. It's your choice. Starting a planning process that systematically addresses the unique issues that are relevant to you and your company positions you to impact your future. We'd like to talk with you about your goals and how Exit Planning might impact those goals.

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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.