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The best way to plan a business succession is to start years in advance and examine performance before taking the business to market, writes attorney Marc Solomon. **A8**

Solomon



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A Winning Strategy for Exiting Your Business

Commentary by
Marc Solomon

The exit is the last and arguably that most important phase in the life cycle of a business.



Solomon

It has significant consequences that will determine whether or not you as the business owner get what you want out of the

journey of building your company.

A well-planned exit can maximize the value of your business, provide for the continued welfare of family and employees, preserve the culture and legacy of your company and provide a tremendous amount of pride and accomplishment.

An exit with little or no planning may jeopardize all that you have accomplished in your business and deprive you of the opportunity to shape and control your future.

There are many factors that determine how successful an exit will be. One of the most important factors is your ability to choose when to leave your company and to whom you will sell or transfer ownership.

The way in which you leave your business should not be left to chance. The opportunity to

have a happy exit is greatly enhanced when you take control of the process and are able to exit on your own terms. The more options and choices that are available to you will increase the odds of a successful exit.

In order to give yourself the best opportunity to have a successful exit, the planning process should begin several years before the exit event takes place. An exit event may take many different forms including a sale to a third party, a gift or sale to family members, a management buyout, a sale to employees or a public offering.

A period of introspection is needed in order to determine what exit strategy is most compatible with your personal goals and objectives.

The first step in the planning process is to determine what is important to you and what do you want to do with the rest of your life.

For example, if you decide to sell to a third party, you need to consider what type of buyer is best suited to meet your goals for a successful exit. The buyer could be a private equity firm, an individual with sufficient capital, a competitor, a customer or supplier, or a large company that wants to expand its market or capability.

The type of buyer that you are seeking for your business will be influenced by factors

such as your desire to stay involved with the business, how important it is to you to have the buyer retain your employees and your level of concern about the buyer's commitment to maintaining the culture and values of your business.

SET THE STAGE

The most significant benefit of developing and implementing an exit plan is that it provides an opportunity for you to evaluate the strengths and weaknesses of your business from the perspective of a poten-

tial buyer.

Most buyers are going to value your company based on its earnings before interest, taxes, depreciation and amortization, or EBITDA.

What changes need to occur in order to improve the performance of your company prior to taking the business to market? The development of better business practices and a strong management team are essential to increasing the EBITDA and cash flow of your company.

If you start planning for your exit early enough, you will have the time to build a stronger and more dynamic company which will command a higher market value. There is a strong correlation between the amount of time you spend preparing for an exit

and the number of choices you have as to when and to whom your business can be sold.

Exiting a business is not an event but rather is a process that takes years to cultivate. Developing and implementing an exit plan is a doable process which can create monetary value and peace of mind. It sets the stage for a satisfying life after the exit.

This is the last leg of the journey, and the stakes are very high. The need to be proactive in setting the stage for your departure requires the same level of planning, diligence and execution that has been vital to the success of your company. Pursuing the desired result is well worth the required investment of time, energy and resources.

What could be more meaningful than preserving a life's work, creating financial independence for and your family, taking care of your employees and having the ability to make a difference in your community?

Marc Solomon is a partner with Weiss Serota Helfman Cole & Bierman in Fort Lauderdale. He provides counsel to clients regarding the structure and execution of business transactions including exit and succession planning. Solomon previously owned a business which was sold to a publicly traded company.

