



LET'S PLAN AN EXIT!

5 TIPS FOR A SUCCESSFUL COMPANY EXIT

I've been friends with Mihaela for the past 5 years. Always on the run, managing a successful business for the last 10 years, Mihaela and I always struggled to find time to meet even for a quick coffee... but this time she looked different. "I have a secret to share" she said, and I started paying even more attention – "I have decided to sell my business". Mihaela's company, in the machinery import domain, was an active and even leading player on the Romanian market. The news was surprising and I urged her to give me more details when suddenly she said – "I'm tired, it's not interesting for me anymore and I've decided to sell and change my domain totally. Now tell me ..." she asked, "what do I need to do and how can I sell it". For me, this was a known path that I have already met so many times before – meeting an entrepreneur, who suddenly decided to sell his business. This time, the mission was extra important, keeping in mind Mihaela's company has good revenues and she might lose the chance to perform a great exit...

What is an EXIT? Know your steps!

Exit is a business result of a well-developed strategic plan – it has to come with a clear plan, accompanied by a set of operational, managerial and financial steps, allowing the entrepreneur to sell their company's ownership (either the complete ownership or partially) to either an investor, a financial institution or to another company. Through this process, the entrepreneur is receiving financial remuneration and/or financial injection into the business.

Exit can be a wonderful solution for many different business situations, but only when it's done in a professional manner that will protect the seller and create an optimized profit scenario both on the immediate and long run.

I gathered 5 different tips from our vast experience in Exit strategies:

Tip no.1 - Choose the right Exit strategy and the right moment

Before you start the process and preparation for the Exit, stop for a moment and define what are your targets and needs? To sell the entire business, to stay as a silent partner, majority or minority in the shareholdings, and many more Exit questions.

Mihaela is “tired”, is this the correct strategy to sell her business? Is this the right time?

The best moment to sell your company is in its growth stages. Being tired can be the right motivation (which I meet a lot with company owners who wish to sell), but might negatively affect your negotiation with potential buyers, as many of them might ask you to continue managing the company for 1-2 years...being tired will not serve that at all.

Tip #2 - Prepare your company for the Exit process – after choosing the Exit path, you must work on arranging your company in a proper way to be attractive for other investors and financial institutions – optimizing the business value, promoting the company’s development, developing new products, supporting the integration of updated technologies.

During this stage you might find that your books are not updated, taxes were not paid on time, or any other faults... If so, it is time to fix them because each “mistake” will cost you during the negotiation.

Tip #3 -Choose wisely the targeted investors/buyers – who can be interested in buying your company?

Be them your competitors? Do you really want to share your company with them? Is it really for sale?

According to your Exit strategy, you must define first who your buyers can be and afterwards select the suitable ones for negotiation. A well-prepared strategy and action plan can reduce the allocation time of potential buyers.

Tip #4 - Prepare a professional roadshow – You can walk the walk, but can you talk the talk?

In this process, using professional materials are a must - financial models, presentations, and bankable level documentation to present your business. Define the business benefits for the buyer and, also, why you wish to make an exit.

Tip #5 - Use an Expert!

Like in any important process that requires an expert, in order to optimize your profit targets and choose the right exit path, it is always wiser to follow the indications of a professional that holds the right understanding of the Exit domain.

Want to learn more – join us at My Path - The Money Academy workshops at - www.bwfr.org



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