Stepping away (or back) from your business is never as straightforward as it seems. To be honest, it can feel like circumventing a maze of decisions, with countless things to consider. In the last article of his business liquidity series, Glenn Bowman discusses how to best execute your exit plan—leaving you with both profit and peace of mind.

Regardless of the preliminary work you put in, a liquidity event's success ultimately hinges on the execution. That's not to say a well-conceived game plan isn't important. It's just not worth as much as it could be without ideal exit conditions, up-to-date knowledge of the market, management of process and superior negotiation skills.

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Understanding this, it's clear this part of the process will make or break your exit plans. Whether you're choosing to sell, finance, arrange a buyout, or pursue an IPO, sound execution can help you receive maximum value upon the exit of your business.

What's involved in the execution phase? Here are just a few examples:

If you’re selling:

Whether you’ve chosen to pursue a complete or partial sale, here are things you will have to think about in the execution stage:

- tapping large networks to find the ideal buyer for your business
- prequalifying buyers
- conducting due diligence
- negotiating sale terms
- keeping your lawyers, accountants, and other members of your professional team in the loop
- ensuring all contracts are presented in a timely and thorough fashion

Because a sale can take longer than many business owners would like—often between six to nine months—remember to manage your expectations during what is often an emotional time. After all, this will likely be a full marathon, not a sprint. You might also have to search for buyers in a discreet and confidential manner (so news of the sale doesn’t get out) and ensure a potential purchaser’s motivations align with your objectives.

If you’re opting for a debt finance leveraged recap

For business owners looking to retain ownership in their company through a debt finance leveraged recapitalization, the process is rather straightforward. Because this type of liquidity event involves replacing the majority of your company’s equity with new, third-party debt, you essentially have to walk into a bank, or approach non-traditional lenders, and ask for a loan.

Obviously, the likelihood of getting the loan will depend on quite a few factors—including your net tangible assets, future cash flows, and the company’s ability to meet future financial covenants. That said, you will have to present the information in a manner that best positions your business and negotiate a loan that meets your needs—a process that can often take up to two or three months.

If you’re arranging a management buyout

For a buyout to succeed, both parties must be committed to the process. That means, as the owner, you understand that you could likely extract more value from your business on the open market—but other factors, such as your legacy or the confidentiality of the buyout process, make a buyout your exit option of choice.

For their part, your buyers must be prepared for the responsibility of taking over the business in good faith. They need to be ready to make the shift from employee (if it’s a management buyout) to owner—and clearly understand

the expectations of their new role, as well as any associated challenges they may encounter.
That said, both parties must be prepared for the realities of a management buyout, communicate expectations, and lock down the necessary financing to complete the transaction. Because a change in ownership will inevitably impact the business, equity partners and lenders will want to know how the new team plans to address human capital changes. You must describe the impacts these shifts will have on the company's organizational structure, as well as outline a plan of action that will resonate with financial institutions—making sure you have the appropriate financial ratios, cash flows, debt/equity balance, and management-buy-in to support any new debt.

If you're going for an IPO

The secret to a successful IPO ultimately boils down to impeccable timing. Essentially, you need to be selling something the market wants—either by riding a current trend or having a great (and timely) story to tell.
That said, an IPO requires extensive background work as well. You need to make sure your organization is prepared to handle all related structural and regulatory requirements and meet the demands of external investors. You'll have to ask the right questions and craft a detailed action plan, realistic timeline, and effective communications strategy. Also, be prepared to read the market—and determine whether the time is right to dive in or if forces beyond your control are signifying it's time to wait.

Onwards and upwards

When it comes to maximizing the liquidity or value of your business, you don't want to leave anything to chance. In an ideal world, you would start the journey as early as possible—and give yourself plenty of time to think about your needs and objectives, familiarize yourself with your exit options, maximize your business's value, and perfectly time your exit.
While a lot of these decisions will be made by you alone, an advisor can be an invaluable guide on this journey—identifying which questions to ask, offering advice when needed, and providing the background support required to execute your decisions. By taking advantage of this resource, you'll not only enhance your chances of leaving your business in a comfortable way—but you'll be starting your next journey with more cash in your pocket.

Selling your business?

Glenn Bowman sets the stage and offers some preliminary insight for entrepreneurs looking to maximize value to sell their business. Read article

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