



Exit Strategy – Do you have one?

Building a good business is one thing. Knowing when it is time to sell it is an entirely different matter. For many entrepreneurs it's not enough to build a business, they have to make sure to have an exit strategy, a way to get the money back out.

Depending on who you are and what kind of business you have, an exit strategy may mean something completely different to you compared to somebody else. Is it a retirement plan or are you ready to move on to your 'next' venture?

Without a proper exit strategy, you risk losing some of the value that you have created. You could miss the perfect opportunity to sell your business as a result of being unprepared. Here are a few things to consider when creating your exit strategy.

Options

Consider the various options that will be available to you. You can sell the business outright and move on. Another option might be to list the business on the stock exchange through an Initial Public Offering (IPO). This would allow ownership of the business to transfer to shareholders but you probably wouldn't be able to walk away immediately. Perhaps you want to pass your business on to the next generation. In order to do this you may need to set up a family trust so that you can structure the transfer of ownership to your children in an appropriate manner. Another option may be to wind the business down, extracting cash over a period of time and eventually just close the doors.

Timing

Only you will really know when it is time to exit your business. You may feel you have had enough, are too old or perhaps you are ready for your next challenge. You may see the potential to expand into other markets and need to find a way to fund that opportunity. Regardless of when you are ready to sell, make sure that the timing of the sale is right for the market. You should also build enough time into your plan to allow for professional advisors to complete due diligence etc.

The Right Team

Consider the team of advisors that you will need to successfully complete the transaction. The business will need to be valued, you will need tax and legal advice. There will be lots of administration required and you may also need to consider financial planning to create appropriate structures to manage your wealth as a result of the sale.

Cost

Regardless of the type of exit strategy you choose to develop, there will be an element of cost to consider. Whether professional advisor fees, tax bills or transaction fees, make sure that you have enough cash provisions to cover the exit costs.