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Making a Graceful Exit

Are you thinking ahead to the day when you'll no longer run your business? Whether that day will be here in one year or in ten, you need think about an exit strategy now so you'll be prepared for your future.

An exit strategy starts with setting your exit objectives. Why are you selling your business? Do you wish to completely retire, or are you selling your business as a going concern with sustained income or capital growth? Whatever the reason, you need to be realistic about the value of the business.

When selling a business you basically have two selling options: an **entity sale** or an **asset sale**. In an entity sale, you sell either your shares of corporate stock or your membership interests in an LLC. The assets of the business—equipment, furniture, real estate, inventory, accounts receivable, etc.—continue to be owned by the entity, and the entity owned by the buyer. In an asset sale, your corporation or LLC sells its assets to the buyer and you continue to own the entity (the corporate stock or LLC membership interests.)

Differing Types of Sale

To help you determine an exit strategy, consider the following possibilities, which can occur alone or in some combination:

1. Sale of all of the business interest (an entity sale) to existing management or an unrelated third party.
2. Sale of part or all of the business assets and activities as a going concern to existing management or an unrelated third party. ("Going concern" refers to your company's ability to continue functioning as a business entity.)
3. Sale of the business assets, but not as a going concern, to an unrelated third party.
4. Sale of all of the business interests held by an owner to a co-owner or co-owners.
5. Sale of all or part of the owner's business interest back to the business entity.
6. Sale of all or part of the owner's business interests to an entity benefiting company employees, such as an Employee Stock Ownership Plan (ESOP).
7. Gift or after-death transfer of the business interests or assets to family members of the principal owner.
8. Liquidation of the business, whether voluntary or forced.

Getting Ready for Sale

If you are thinking of selling your business as a going concern, potential buyers will be looking for stable, motivated management and a high-performing workforce, along with good EBITDA (earnings before interest, taxes, depreciation and amortization). Potential buyers will also look beyond EBITDA to find attributes they believe will reduce risk and increase returns.

In order to improve the fundamentals of your business in preparation for an exit, a large part of your task is to develop these values. You also need to ask yourself what you are willing to do to assist in the future of the business after you exit. The longer the probable timeline, the more general the anticipated outcome or goal will be. Then, as the timeline shortens, more specific plans can be made.

We Can Help You Develop Your Exit Strategy

Regardless of your specific goals, developing an exit strategy is a process that we compare to eating an apple: It takes multiple bites, or, in other words, requires more than a single method or tactic to accomplish all of your goals.

The Mierendorf team can develop multiple ways to improve the fundamentals of your business to attract qualified buyers. Along with reviewing tax issues, we can help you identify qualified buyers, navigate the due diligence process, make the right choices that can help minimize the taxes that you will owe once the sale is complete, and be at your side when you close the deal.

Don’t wait until you’re ready to leave your business to develop an exit plan. Call Mierendorf and Co. today, and be prepared for a graceful exit tomorrow.

“I have no use for bodyguards, but I have very specific use for two highly trained certified public accountants.” ~ Elvis Presley

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