THE EXIT ACADEMY

# Five Biggest Lessons Learned

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The Exit Academy

Lesson Download

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I have long believed that mistakes – whether they be of your own doing or those which you've observed in others – are incredibly valuable opportunities for learning, provided they are captured, analysed, learned from and committed to long-term memory.

A "lesson learned" is nothing more than a situation during life (both personal and professional) that has an unanticipated (positive or negative) impact in its realisation.

If the lesson learned is a painful one, it becomes less painful when you extract the full scope of the hidden value that lies within it. I've always tried to learn from each mistake, large and small, and where appropriate, to share those lessons with others who may benefit from knowing this and who may avoid falling into the same traps in their own travels.

What follows then, is a summary of my Five Biggest Lessons learned as they relate to selling your business. This is a recap of what we covered in the video that corresponded with this topic (Video no.2: 5 Biggest Lessons Learned), as for you the reader, the below summary will further reinforce and help commit to long-term memory, 5 truths that I wished somebody had told me 25+ years ago when I was selling my first business.

## Lesson no.1: Know the Rules Before You Get in the Game.

I know of no other concise summary that is more important to entrepreneurs looking to sell their business than this simple statement:

**Know the Rules before You Get in the Game.**

Or, explained slightly differently...

**Know what you don't know about selling your business, before you get started.**

Over the last 15 years, I've worked with every type of entrepreneur you can imagine and from just about every country, advising and guiding them on their exit strategies. I can state with absolute confidence that the vast majority of these individuals would have approached their exit process differently had they understood the beginning to end process of selling a business before they set out on their journey to exit.

Knowing and understanding the rules beforehand enables sellers to:

• **Make smarter, more informed decisions**; this will lead to higher quality decisions throughout your exit process about how you execute the sale of your company.

• **Know how to select the right advisors**... and then enhance their resources to ensure you are receiving the most comprehensive and professional advice that is going to maximize your probability of success.

• **Understand How M&A Deals Are Successfully Marketed, Sold & Negotiated** with buyers in an M&A transaction.

• **Develop the Right Strategy** to Ensure the Highest Probability Of A Successful Exit.

## Lesson No.2: Preparing You & Your Business for An Exit Is Critical.

Most business owners have never truly examined their business from the perspective of the buyer. Seeing your business in the eyes of potential acquirers provides a different point of view not only on how best to prepare and position your company, but also to identify any areas that may need attention which are going to increase valuation and the probability of successfully concluding a transaction.

This is an exercise that is often overlooked and/or undervalued by business owners – as well as their advisors. Failure to be prepared can stop discussions prematurely and can adversely affect the valuation of your business. By adopting the role of a potential buyer, you begin to see the negative implications can have in a selling business that is not prepared to sell. And can have a negative impact on your business's overall attractiveness to other parties.

But as discussed in the video lesson, what you need to remember is this:

> Exit planning is important...if you have not Failing to Prepare: Reduces Investor Confidence, Prolongs the Process, Weakens the Valuation/Terms Of The Deal.

Or worse, it'll kill the deal.

Successful deals are advanced... in large part anyway... on confidence. Confidence that the buyer has in You – and in Your business.

And historical performance is a strong foundation in the buyer's confidence in your firm's future. So, presenting a picture of your business – past, present and future – which is packaged within a clear and detailed history of the performance of that business...is not only going to result in a convincing projection of the future performance of your business... it's also going to drive the value of what a buyer is prepared to Pay for that business.

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If you're considering the exit of your business, contact us at: **ExitSupport@markcarmichael.com**
We work with ambitious clients who want to make the most of their exits. Business owners from around the world come to us to determine their ideal exit strategies. Our market-leading approach to selling businesses drives the development, implementation and execution of the most effective sell-side strategies designed to achieve extraordinary results. We typically work with businesses with an enterprise value of $25 - $500 million.

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The truth is this: to the best of you and your advisor's abilities, You And Your Business Need Be Ready: Outside Parties Will Thoroughly Examine Your Company.

### Lesson no.3: To Ensure the Highest Offer, The Best Deal Terms, From the Best Buyer, Who Represents The Highest Probability Of Successfully Closing In The Shortest Period Of Time Realistically Possible...You Need Multiple Bidders Competing for Your Business.

It's a lengthy statement, for sure, but an important one.

If you want to attract the highest price for your business, and ensure that you get the best overall terms, and if you want to ensure that you leave your company in the best hands moving forward, while doing so in a manner that presents the highest likelihood of the deal successfully closing...or concluding...While doing so in a timeframe that is efficient... then you need multiple buyers competing for your business.

The More Qualified Investors Competing for Your Business, The Better you have around the proverbial negotiation table, the better.

The most attractive deals for sellers transpire when there are multiple potential bidders, thereby resulting in a competitive process. The element of competition is then leveraged to obtain not only the best overall price paid for your business...but also assists in negotiating optimal deal terms while allowing you to identify the best new owner of your company moving forward.

### Lesson No.4: Successful Exits Are Based on How Your Business Is Marketed – And Actually Sold - To the A Comprehensively researched group of International Potential Acquirers.

Another lengthy lesson statement, but essential to your overall success. Yours and your advisor's capacity to market, position and sell your business is at the very heart of a successful exit strategy.

Yet so many fail to comprehend and take action in this regard.

In my experience, there is a shocking deficiency of strategic initiatives employed by bankers and M&A advisors to integrate systematic approaches to how they position, market and sell businesses to targeted investors worldwide.

My advice whenever speaking at conferences is to qualify prospective advisors. Determine if they have a true strategy or approach in this regard, or do they have a less-sophisticated, "one size fits all" approach to marketing client's businesses.

But if a competitive bidding scenario is yours and your advisor's objective (and it should be, for reasons we have discussed herein), you need to be aware of the characteristics of successfully marketing and selling a business before you initiate your own process. This will enable you to make the best decisions for you and your business.

SO, what are the other variables that comprise the sales and marketing formula for creating a competitive bidding scenario when selling your business?

We covered these factors in the video that coincides with this document, so please take advantage of your ability to re-watch if you don't feel you have a handle on it. If you are still not clear after re-watching it, reach out to us at ExitSupport@markcarmichael.com and we'll do our best to assist you.

### Lesson no.5: The difference between an effective exit strategy and a mediocre one often comes down to your choice of M&A advisor.

One of the key tenets of The Exit Academy is to ensure that you develop the understanding of the M&A process and all that is involved in this process. Knowing the rules before you get in the game so that you can perform to the best of your ability.

One key revelation for many sellers is the recognition of the importance their advisor plays in the exit process and the significance of knowing how to choose the advisor that's right for them. Again, most have never done this before and they go about this exercise without much conscious deliberation as to how to identify, qualify and hire the advisor that is going to lead the charge in selling their business.

Selling a business is not a simple process. There are a multitude of parties involved on both the buyer's side as well as the sell-side. Analyses, interviews, meetings, due diligence (financial, compliance, regulatory, legal, HR, IT, etc), drafting of the sale and purchase agreement, working capital calculations, closings, etc...the to-do list in a transaction is exhaustive.

Not surprising then that the selling process is full of surprises and challenges.

It is the responsibility of your M&A advisor to direct the process throughout the selling-your-business roadmap, leading you, your internal team and your business to a successful conclusion; the closing of the transaction. Along the way, they will coordinate, address and ensure the successful completion of each objective along the road to sale, shielding you from the majority of issues to be contended with while you continue to operate your business.

In between your initial engagement of the advisor and the subsequent closing of the transaction, there are a multitude of tasks to be dealt with. You need an advisor not only that you like and trust, but one who is qualified, capable and experienced sufficiently that they can serve as your exit coach, your guide, your marketing/selling/negotiating expert, your closer and more.

Acknowledging this NOW, before you get started, is a key to enhancing your probability of success. It's important that you are aware of this now, so that you can avoid the all-too-common mistakes committed by far too many other business owners who hire the wrong advisor.

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