

Overview

Revenue \$4.75M	EBITDA \$567K	Enterprise Value \$6.37M	Potential Value \$8.97M	Owner Estimated Value \$1.59M	Value Gap \$1.82M - \$3.38M
%Ownership 25	Salary \$135K	Other Benefits \$165K	Outside Assets \$149K	Retirement Income \$28.8K	Replacement Gap \$3.12M
Industry Management of Companies and Enterprises	Entity Type Limited Liability Com pany (LLC)	Employee: 14	Objective Prepare to sell my business		

[Responses](#)

About

Exit planning is sound business strategy. And like any strategy your business may already have in place, an exit plan follows the same principles. It should address the who, what, when, where, why and how. This report provides you with detailed guidance on developing a customized action plan for you and your business.

It's important to note that effective business planning should be coordinated with your personal financial goals and address business succession, owner retirement, and the family's estate. It is also important to consult with your tax and legal advisors on certain topics.

Business Objectives

You said your business objective is to **prepare to sell the business**.

Identify, evaluate and understand the ways to exit the business. There are internal transfer options (family, management, partner and ESOP) and external transfer options (3rd party, private equity, IPO and liquidation). Each has its own pros and cons and impact on the business and your financial future.

Estimate the earnings multiple that's likely to apply when pricing the business. All industries have a normalized trading range and how attractive the business is to potential buyers will determine whether you fall on the low or the high end of that range. Focus on improving the value drivers of the business to help ensure you receive a higher multiple when the time comes to sell the business.

You said that you **do not have a personal financial plan** that dovetails your business and personal objectives.

This should be a priority. Your business is most likely your largest income producing asset. Understanding the role it plays in your personal planning is vital to protecting your family's financial wellbeing and maintaining your current and future lifestyle. In addition, a lack of financial independence from the business can lead to owner never truly being able to exit on his/her terms when that time comes.

Goals

Your goals are a reflection of what is important to you. We believe in a mutually committed relationship built on an exploration of these goals that goes beyond the numbers to instill clarity and confidence for you to take action. Together, each year, we will focus on what matters most in terms of achieving your business planning objectives.

It is our opinion that your goals can be attained by implementing the recommendations detailed in this plan. The key to succeeding is your ability and willingness to follow and maintain the plan. The plan is a living document and should be reviewed and updated annually, or upon the occurrence of a major personal or financial event.

<u>Goal</u>	<u>Action Plan</u>	<u>Target Date</u>
Evaluate Entity Structure	Ensure my current entity structure is appropriate in terms of meeting my business needs and tax circumstances.	In 3 months
Grow my business	Grow the value of my business, either by organic strategic development or acquisition.	In 6 months
Personal capital management	Determine the role you will play, if any, in the business in retirement and estimate how reliant you will be on the business financially when you exit.	In 12 months
Create a plan for the distribution of the assets in my estate	Create a plan that is both fair and equitable to all my heirs, including those active in the business and those not, and helps ensure the continuity of my business and maintains family harmony.	TBD

Owner Risk



Your owner risk is **High**.

This index is an overall view of the risks that may inhibit a business owner's ability to maximize their current enterprise value today and monetize it in the future. It incorporates the four critical elements of owner risk: Income Replacement, Insurance Protection, Red Flags, and Liquidity. Each is broken out in this report to enable you, the owner, to get your arms around making your business fit your personal goals.

You currently have a **High** level of business, personal and financial risk. You have considerable exposure that could leave the business and your family exposed if and when a transition occurs. A de-risking strategy should be the top priority.

<u>Observation</u>	<u>Action Plan</u>	<u>Target Date</u>
Owner Dependent Business	Develop a process for decision making that is in alignment with the vision of the company and give key management to power to act without the owner's input.	In 3 months
Unfunded/Underfunded Agreements	Examine both a succession plan and buy/sell agreement with funding secured and protection in place for families involved.	In 6 months
Lack of transferrable value	Add enterprise value and increase your Core Value score to within the 80's for a more successful chance of a sale.	In 12 months

Red Flags

Planning is important. You have a vision for your future. Start by removing these strategic threats to attain your vision.

[Edit Red Flags](#)

<u>Warning</u>	<u>Action Plan</u>	<u>Target Date</u>
No Business Overhead Expense Insurance	Choose appropriate amount for immediate succession needs should the occasion arise.	Immediately
No key employee life Insurance	Determine economic value of key people vs the time needed to replace.	In 3 months
No benefits designed specifically to keep your key employees loyal	Turn key life into a split dollar plan; consider 401k for others and investigate options.	In 3 months
No written succession plan in place	Develop the process and triggers; work with internal successor.	In 6 months

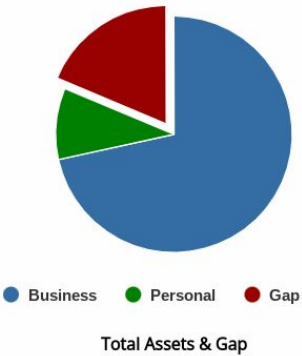
Income Replacement Analysis

The income replacement value is the value owners need the business to be worth to maintain their current standard of living when they are no longer running the business. It is critical for effective succession and retirement planning, and shifts the focus from current lifestyle to future enterprise value growth.

Assets needed to Retire	\$4,125,000
Value of Business (@25%)	\$1,593,000
Value of Personal Assets	\$869,000
Retirement Asset Gap	(\$1,662,000)

Using the potential value of the business to meet your goals:

Business Value Gap (@25%)	\$650,000
Potential Retirement gap	(\$1,012,000)



You Have an Income Replacement Gap

A lack of financial independence can lead to a business owner never truly exiting the business. Based on the information you've given regarding the amount of salary and benefits you derive from the business currently, **you have an income replacement gap**. This means the value the business, plus the value of your assets outside the business, are not sufficient to maintain the current standard of living that you've created for yourself in retirement. To help make up the gap, you should consider three strategies:

1. You can adjust your standard of living in retirement.
2. You can look to increase the value of the business by improving the operational areas in the business that are depressing your value.
3. You can grow the value of the assets you own outside the business.

Insurance Gap

Experience with thousands of owners across all industries has proven the first step to a better future is to protect the lifestyle you have created. Then you can sleep better, relax a bit, and renew your journey with new energy. Insurance makes it fast and easy.

		In Force	Needed	Gap
Personal	Life	\$500K	\$4.13M	\$3.63M
	Disability	\$0	\$81K	\$81K
Business	Loans	\$0	\$75K	\$75K
	Overhead Expense		Yes	
Buy-Sell	Life		\$1.79M	\$1.79M
	Disability		\$830K	\$830K
Key Employee	Life		\$3M	\$3M
	Disability		Yes	

The protection gap values above are meant to show the optimal amount of insurance coverage needed to fully protect an individual and a business as a best practice and under ideal conditions. Factors, such as age, health, cost, and face amount limits may impact an individual's ability to purchase the full amount of coverage needed to address the gaps in coverage. You are encouraged to speak with a financial professional who can help determine the appropriate and available amounts of insurance coverage that may be right for you.

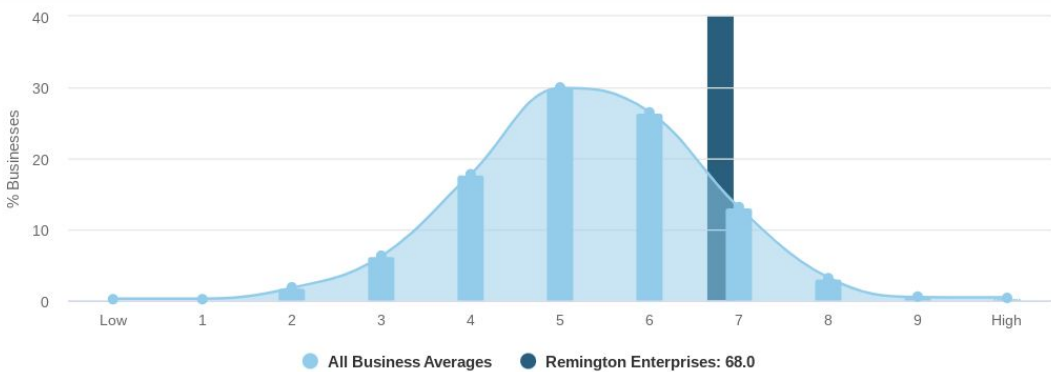
Business Stage

You said the business is in the **Growth stage**. Businesses that are in a given stage typically have a set of priorities they should focus on. To accomplish what needs to be done before the business moves on to the next stage, here is a to-do-list for you to have on hand.

Growth Stage Checklist

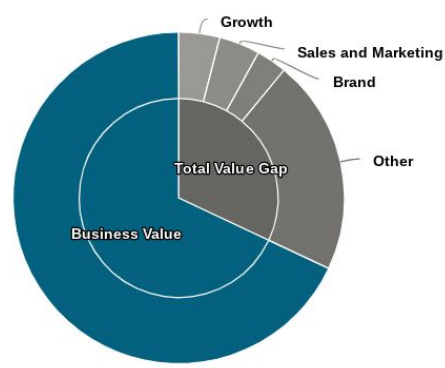
- ✓ Refine business goals and metrics.
- ✓ Diversify products and service for market expansion.
- ✓ Protect the company's cash flow.
- ✓ Protect against the loss of key employee(s).
- ✓ Create a strong management team.
- ✓ Develop a business protection plan in the event of the death or disability of an owner;
- ✓ Grow the value of the business.
- ✓ Diversify your retirement plan.
- ✓ Explore tax strategies.
- ✓ Offer employer-sponsored benefit and retirement plans.
- ✓ Explore selective retirement and benefit programs for top performers.

CoreValue Business Rating



Your CoreValue Rating is an indication of how well your business currently aligns with best practices and standards. This chart compares your CoreValue score to the CoreValue score of other businesses. The better the rating, the better the alignment – and the greater potential to achieve business objectives. However, protecting your value and de-risking your business is important if you expect to have a business rich, cash accessible outcome when the time comes to exit.

Growth and Value Opportunity



Value Gap

The value gap represents the difference between what the business is worth today (Business Value) and how much it could be worth (Potential Value). In other words, how many dollars you are leaving on the table due to operation and market weaknesses. The full circle shown in this chart represents your potential business value. The data slices show how much is locked up in value gap.

The larger this gap, the less sustainable, profitable and transferable the business, and the harder it will be to successfully accomplish your objectives.

Value Gap Analysis

Value Gap is the difference between how much the business is worth today and how much it could be worth. The top most *Critical Drivers* are contributing most directly to your Value Gap and represent the greatest opportunity to improve the value of your company.

Value Gap is measured in real dollars, broken down in the chart below by driver so you can see not only how much money you are leaving on the table, but just as important, the 'Return on Investment' (ROI) for making future investments back into the business. In this chart drivers are sorted from highest value gap to lowest.

