WILCOX | SWARTZWELDER & CO.
INVESTMENT BANKERS
The Wilcox Group + PetroGrowth Advisors

Create Value By Preparing Your Business for an Exit

Business owners considering an exit can take proactive steps that will greatly enhance the value of their business.

As a boutique investment bank providing merger and acquisition services to middle market companies, we advise business owners that focusing on the key items below will put them in a strong position to maximize the price when they decide to sell.

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Focus. Adhere to the focus and niche upon which the company was founded. Buyers place a premium valuation on companies that are focused and do one thing very well, better than others. Don't stray from the niche – it destroys value.

Reduce Owner Dependency - Develop the Management Team. Ensure that the management team is equipped to carry on without the business owner once the business is sold. Although it often is difficult for an owner to disengage himself, value is created when the business is not completely dependent on the owner's involvement. If the owner is so integral that the business suffers significantly without him, he has not created value, just a glorified job.

Prepare a Business Assessment. Consider preparing an objective assessment of the company's current position and potential. One of the most used and well known is the SWOT analysis, in which the business owner reviews the company's Strengths, Weaknesses, Opportunities and Threats. This analysis will help the business owner

Wilcox Swartzwelder & Co.
A boutique investment bank delivering high quality financial advice exclusively to owners of middle market companies in the energy and industrial sector.

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focus his resources and attention.

Ensure the Business Has Adequate Capital. The lending markets are improving. Work to build the relationship with your lender. Share your company's performance, plans and expectations with your lender early and often. Keep your lender abreast of changes. If your lending relationship is strained, evaluate finding a new, more accommodating relationship. If you need outside capital, get some help. Obtaining debt and equity remains difficult in this market.

Clean Up the Balance Sheet. Collect past due accounts receivable or write them off if uncollectible. Review your customer credit policies. Clean up inventory, eliminate obsolete or unsellable inventory and take it off the books. Analyze accounts payable to determine if they can be better managed. Maintain adequate reserves. Call in loans to shareholders and employees. Eliminate or at least diligently track personal expenses running through the business.

Clean Up the Facilities. Ensure that equipment and real estate has been adequately maintained. Clean up facilities. Sell unused equipment.

Obtain an Audit. If you are considering a sale in the next few years and you do not obtain annual audits, begin the process today. An audit prepared by an objective, third party accounting firm provides a high level of credibility to the company's financial performance. An audit provides a level of confidence to the buyer and reduces the buyer's fear that what he is buying may be a fiction.

Protect Key Personnel. Obtain employment and non-compete agreements from key employees. The last thing you want is for a key employee to leave and become a competitor, especially if you plan to sell the business in the next few years.

Eliminate or Reduce Legal and Environmental Risks. Identify and eliminate any potential legal or environmental liabilities and resolve any existing issues.

Perform an Operational Review. Ensure that key vendor contracts are assumable/transferable upon sale. Ensure that you are meeting the terms of contracts and resolve any significant disputes. Review distribution channels and agreements and make changes as necessary. Review the quality of the sales force and marketing personnel, their strategy and measure performance. Ensure that compensation is reasonable. Review operational activities to streamline costs, improve processes and efficiencies. Document significant policies and procedures to ensure the business does not rely on any single person. Review information and management systems for opportunities to streamline and upgrade tracking and reporting.

Reduce Customer Concentration. If the customer base is highly concentrated, diversify it. If 50% or more of revenue is from 2-3 customers, a buyer will view this as a large risk.

Build Your Team of Advisors. Establish a strong team of qualified accounting, tax, legal and investment banking professionals. Begin discussing your plans with them early so they can help prepare you for the process.

If a company sale is in your future over the next 6-24 months, start getting prepared today.