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How To Prepare To Exit Your Business During The Pandemic



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Photo: GETTY

The COVID-19 pandemic has upset plans for businesses across the country. Everything from planned trips to conferences and even day-to-day operations has been upended as we all adapt to what people are calling the new normal.

One major point of concern is likely how the coronavirus may impact your plans for retirement or your exit strategy for your business. Or a sudden job shift may have you eyeing the next phase of your career. Maybe you've received an unexpected offer to sell

your business that you can't refuse. Regardless of why you're eyeing a way out, it's important you're prepared to handle this major life transition.

I have been fortunate to guide many businesses through the sale process. Because of this, I'd like to offer some advice to business owners and highlight some of the things they need to do if they want to gracefully and successfully exit their business.

Make Sure Your Business Plan Includes An Exit Plan

It might seem as though I'm stating the obvious, but you'd be surprised by how often this crucial detail is overlooked. Rarely have I come across a business owner who has built their business for an exit, and the ones who have planned ahead have benefitted greatly. Even companies with strong business plans can often find themselves so concerned with the present that they end up neglecting the future.

In fact, one study found that [58%](#) of small-business owners have no succession plan in place. If you haven't put together your plan yet, know that you're in good company. Still, it's no excuse not to take care of it right now.

When you start your business, the idea of exiting is likely the furthest thing from your mind. The truth is it's always important to have an exit plan for the future. Having an exit strategy prepared is more than just prudent; it's crucial in making your transition a success.

Understand How You Want To Make Your Exit

The first part of having an exit strategy is building it into your business plan from day one. The next part is determining what you want that exit to look like. This is when it's important to ask yourself what your goals are as part of your exit. Are you hoping to make as much money as possible during your sale? Maybe what's most important to you is ensuring your business will remain in good hands after you're gone.

If your goal is the latter, then it pays to groom your successor for the position far in advance of your actual exit. By choosing to sell your business to a new owner, such as a family member or another employee, you can ensure a degree of continuity and avoid disrupting daily operations.

If you were hoping to take your company public or were looking to be acquired by a competitor or private equity firm, there is a different set of considerations. In this case, there are numerous accounting regulations that need to be handled before you can even think of making a deal. It might be a good idea to hire a controller or CFO for your company in the years before your exit. This way, you can rest assured knowing your books are in order.

Know Yourself And Your Worth

If you want to get a fair deal for your business, then it is important you understand the value of your business itself. That means taking a step back and analyzing your company from the bottom up. This will help you determine your place in the market and decide if the timing is right to act.

Undergoing a business valuation is a big part of this process. At the middle-market investment bank at which I'm the managing partner, performing valuations and business analysis for sell-side advisory clients is all part of standard operating procedure for any potential deal or transaction. This includes clients navigating and preparing for transactions during the pandemic.

How To Paint An Accurate Company Picture During The Pandemic

The first part of those preparations deals directly with measuring your company's performance during these trying times. Potential buyers will want to know how your business held up under pressure, how you managed the crisis and any steps you took to mitigate its effects. Buyers and investors will also want to see hard numbers such as how COVID-19 has impacted the business's financials and how that would compare to "normal" conditions.

Effectively quantifying the impact of the current situation is crucial to presenting an accurate portrayal of your company. When you track variances against your initial budgets and maintain data that supports any financial adjustments, you can paint a clearer picture of your business. Our current situation is anything but normal, and your numbers should reflect that.

You may want to think about putting together a set of "pro-forma" or "normalized" financial data. By a more realistic picture of your business in both normal and abnormal times, buyers can be confident they are making an informed decision.

I expect companies will actually get credit for a higher EBITDA (earnings before interest, taxes, depreciation and amortization) base as a result of COVID-19-related disruptions. The catch is the data must be tracked, quantified and supported to accomplish that. With a comprehensive analysis that accounts for the current situation, business owners can find the firepower they need to still enter any negotiation with confidence.

Track Everything And Be Prepared For Anything

These difficult times have left so many things up in the air for all of us. The sale or exit from your business doesn't need to be one of them. By taking the time to put together a proper exit strategy and present accurate, reliable data, you'll be that much more prepared for anything the world can throw at you.

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