



Exit Planning 101

NAVIGATING THE UNAVOIDABLE JOURNEY OF BUSINESS TRANSITION

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February 13, 2024

Advisory services offered through TPG Financial Advisors, LLC, an SEC-Registered Investment Advisor and a wholly owned subsidiary of The Partners Group, LLC.



Housekeeping Items

1. 25-minute presentation + time for Q&A
2. Enter Questions throughout the presentation
3. Slides & Recording available to attendees
4. Get alerts about new events, webinars and content by subscribing at xeniumhr.com

— JOHN S. WOOLLEY, CEPA

THE PARTNERS GROUP

- Managing Director & Chief Investment Officer for TPG Financial Advisors, LLC
- Certified Exit Planning Advisor
- Experience in lending, private equity & private debt funds, wealth management, & capital markets
- Bought & sold private companies up & down the west coast

John's experience in finance spans both public and private capital markets over a 35-year career. A graduate of Middlebury College with a B.A. in economics and an MBA from the University of Oregon, John believes strongly that his work with clients matters. "Our finances are first and only an emotional topic. When a client feels known and understood, only then can a true trust relationship develop." When not working with clients, you'll typically find John waist-deep in a river hunting steelhead.



The background of the slide features a grayscale photograph of sand dunes, with light-colored ridges and darker shadows between them, creating a rhythmic, wavy pattern. A single, thin white horizontal line spans the width of the slide, positioned centrally above the text.

Exit Planning 101

Exit planning
is...

Not a decision to sell

Is a state of *mind*

TWO CONSIDERATIONS



Are you ready?

Loss of Identity and Lack of Support

- No Goals and Objectives Post Transition
- No Considerations to Passions Outside of Business
- No Advisory Board or Formal Transition Team
- No Contingency Plan(s)
- Shareholders/Family Not on the Same Page
- Forced Generational Transfer



Is the business ready?

Tangible vs. Intangible Factors

- EBITDA historical vs. projected vs. addbacks
- Valuation Multiple Considerations
- Is the Business Bankable?
- Creditability of Financial Information
- Ability to Forecast and its Predictability
- Management Succession
- Customer Base and Concentration
- Ownership Group or Partners At Odds?

POLL #1

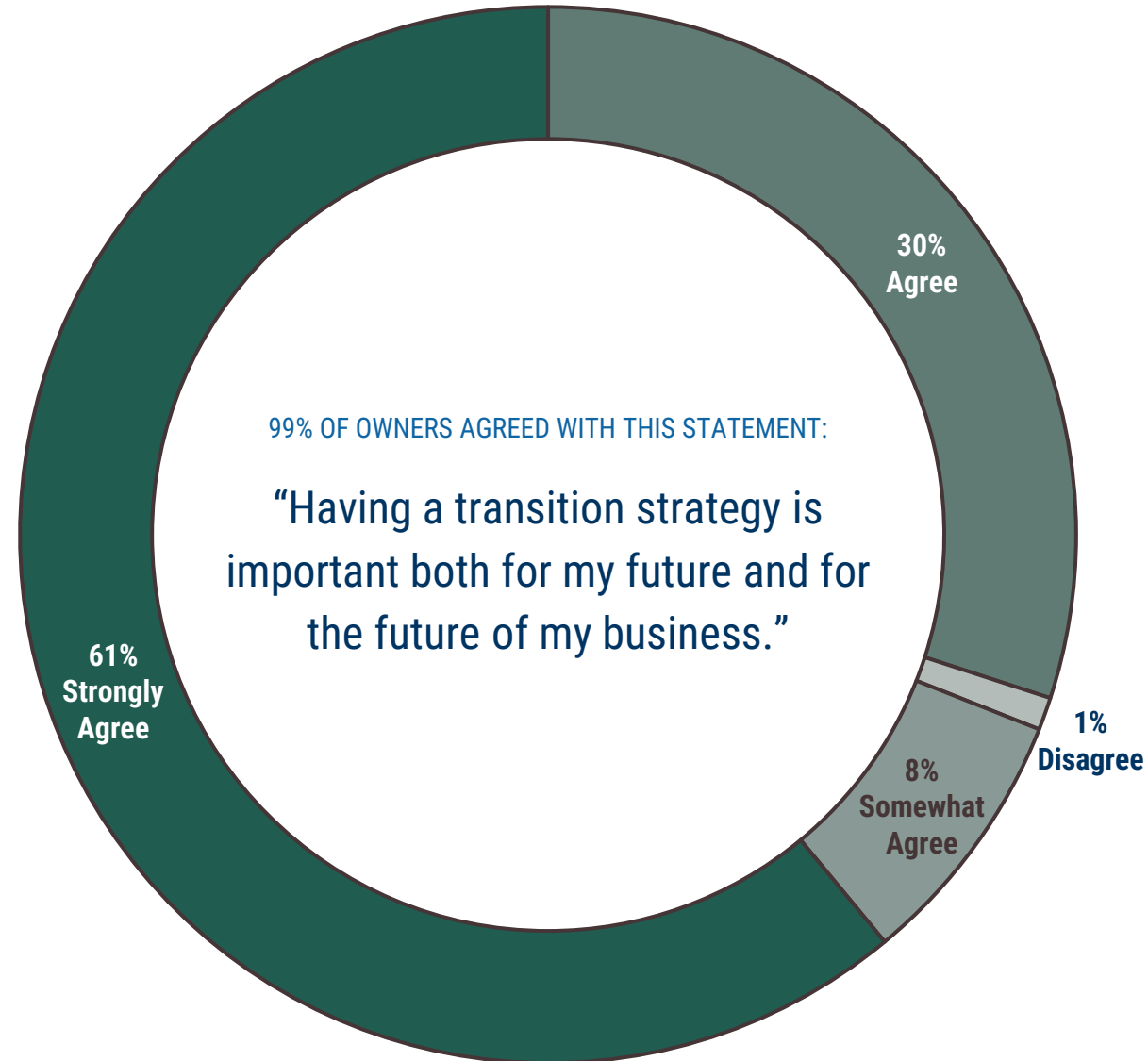
How much do you agree with the following statement?

Having a transition strategy is important both for my future and for the future of my business.



HARD TRUTHS

2022 COLORADO STATE OF OWNER READINESS



AND YET

THE CHALLENGE FOR OWNERS



60%

Do not understand
their exit options



30%

Have no transition plan
in place



79%

Have no written
transition plan



49%

Have done no planning
at all



80%

Have not formed a
transition advisory team



94%

Have no written plan
for their next chapter



SO WHAT?

WHY THIS MATTERS



80%

Of an owner's wealth is locked in their business



50%

Of business transitions in the U.S are involuntary



75%

Of owners regret selling after one year



3 Challenges

Challenge #1:

Owners are Unprepared

Uncertainty
Confidentiality
Income Trap
Not Urgent
What Next?
Misinformed

3 Challenges

Challenge #2:

50% of Exits are Involuntary

Death
Imagine right now; you are in the middle of an intersection and are T-Boned. What do you want your family, management team, and ownership team to know? What happens to your loans? Are the beneficiaries on your assets and life insurance correct? Who should family and management talk to for advice? Do you have a documented plan for those impacted by this event? What obligations does your business have to your estate for the value of your shares?

Disability
Now imagine that you had a stroke and cannot talk or write. Does your family know where your important papers are? Do you have a power of attorney for financial and medical matters? Do others have essential passwords that enable them to pay your bills or interface with customers, vendors, etc.? Will this event invoke a purchase of your shares? How will it be paid? Who has the right to vote your shares?

Divorce
Your spouse announces that he/she has grown apart from you and now wants to end your marriage while the two of you are still friends. How will your shares be valued in a divorce? Do you have a prenuptial agreement? How will the changes in your finances impact the cash needs of the company? Do you know your options on how to create a non-adversarial process to make the decisions needed to unbundle your financial affairs at the end of a marriage and mitigate the impact on your business?

Disagreement
When multiple partners enter into a business, is it all roses and rainbows? They rarely prepare for conflict with a productive exit clause. Like all relationships, business partners sometimes decide not to co-own a business. How will your interest be valued? How will it be paid?

Distress
2020 has taught all of us some painful lessons regarding business interruptions and external threats we could never imagine. Many businesses suffered disruption to their business's productivity and the delivery of their products. What was the strength of your back up system? What insurances did you have to cover business interruption? Good contingency planning includes risk reduction strategies and policies to protect against everyday disaster situations, including data breaches, property disasters, supply chain disruption, work safety incidents, and critical employee loss.



POLL #2

How many of the 5 D's have you thought about when it comes to impacting your business?



3 Challenges

Challenge #3:
Not Focused on Value

- Most businesses run for income
- Income is not transferrable
- Value is saleable
- High value can yield high income

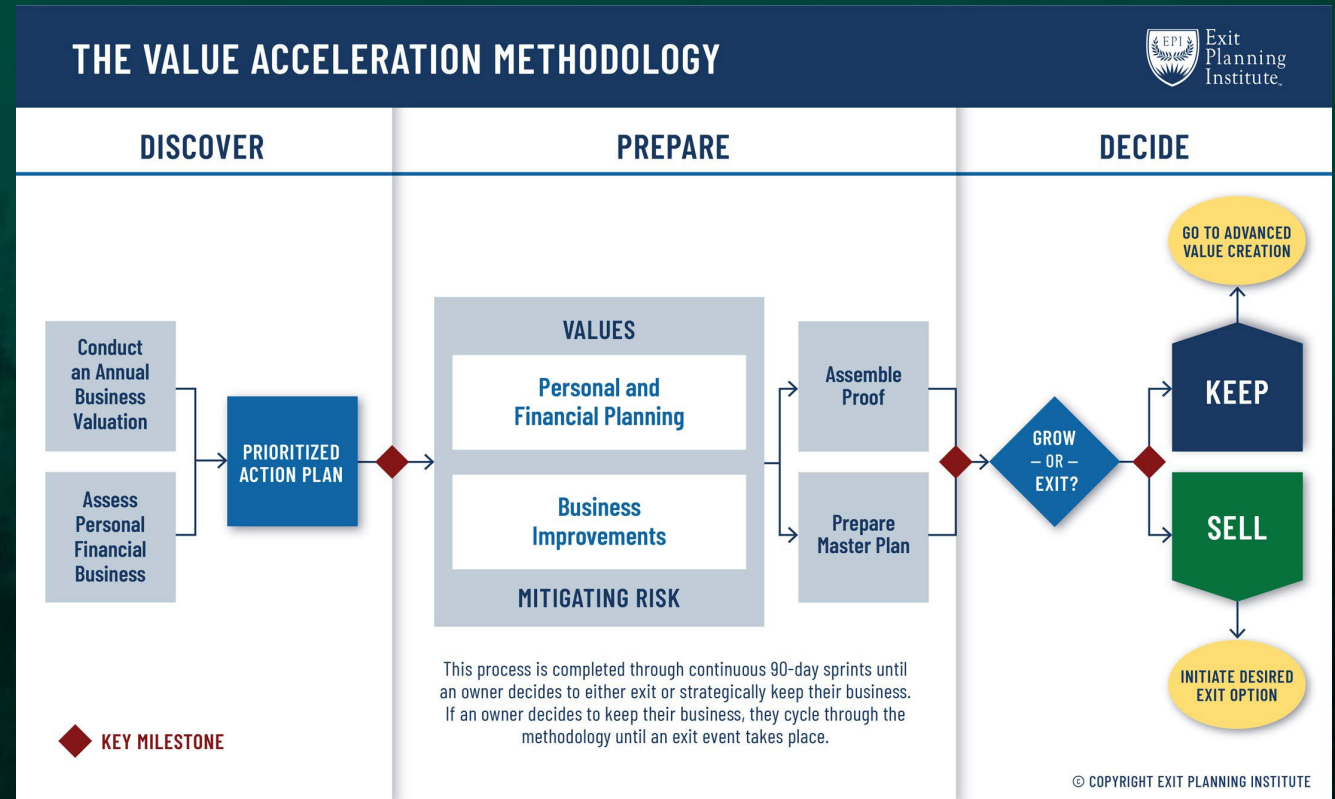
The Takeaway

Good Exit Planning
is
Good Business Planning

201 Sneak Peak: *Improving Value*



Readiness Assessment





Questions?



Join us for **Exit Planning 201**
on March 19th at 10 am

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THANK YOU

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