

BEST PRACTICES WEBINAR

PLANNING YOUR END GAME: EXIT STRATEGIES DONE RIGHT



Presented by Jim Kahrs
President, Founder - Prosperity Plus

Jim Kahrs

- 38+ Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Succession Planning
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®



The Exit Check List

FIVE STEPS TO A HAPPY (AND LUCRATIVE)
EXIT FROM YOUR BUSINESS



Two Questions Before You Exit



1 IS YOUR BUSINESS READY TO SELL?

The Value Builder System™

Value Builder will tell you

2 ARE YOU PERSONALLY READY TO EXIT?

5 STEPS TO A HAPPY & LUCRATIVE EXIT



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The Five Step Exit Check List will let you know

Step 1

GET CLEAR ON WHY YOU ARE EXITING



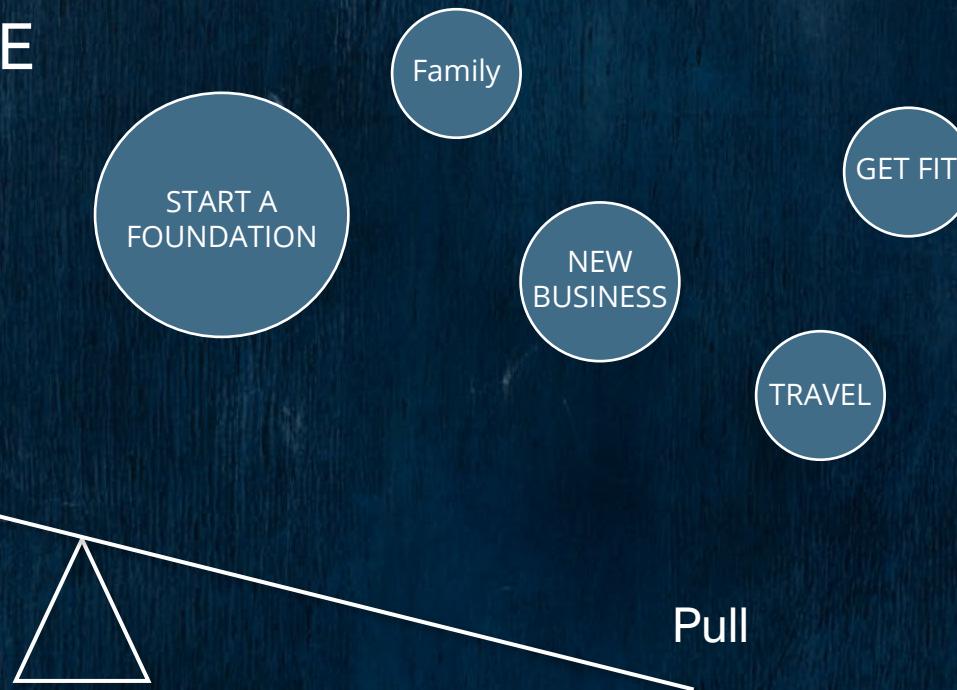
GET CLEAR ON WHY YOU WANT TO EXIT





BUT THE HAPPIEST SELLERS HAVE
SOMETHING PULLING THEM TOO

Push



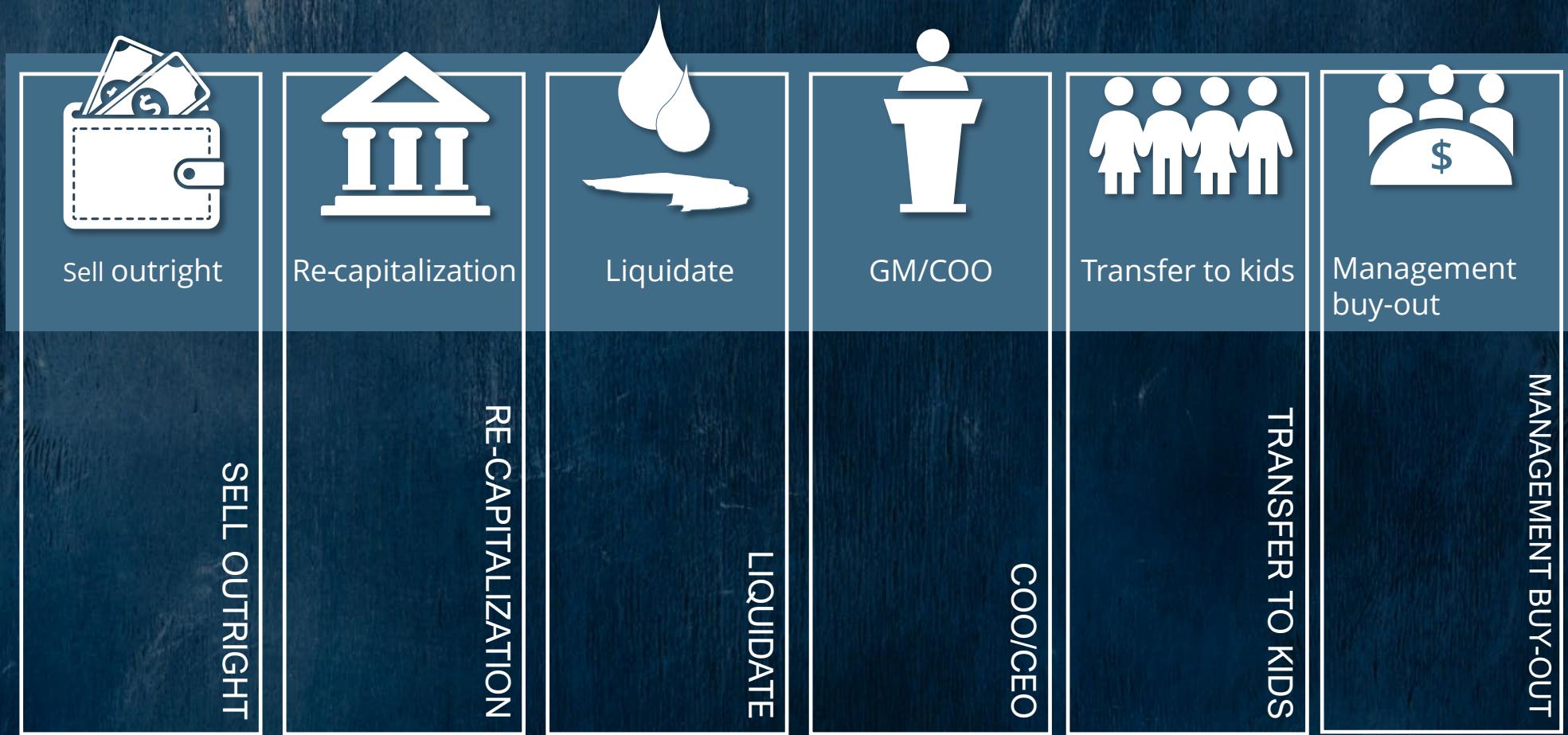
Make A List Of What You Are Excited To Go Do

Step 2

ALIGN YOUR EXIT TYPE WITH YOUR WHY



Exit Options



Align Your Reason To Sell With Your Exit Options



RETIRE / BORED	→	Sell to Third Party, Transfer to Kids, Management Buy-Out, Liquidate
MARKET HAS PEAKED	→	Sell to Third Party
RISK AVERSION	→	Re-Capitalization, Sell to Third Party
SOMETHING ELSE YOU WANT TO DO	→	GM/COO
	→	Sell to Third Party
	→	Transfer to Kids, Management Buy-Out
HEALTH	→	Sell to Third Party
	→	Transfer to Kids
	→	Management Buy-Out
	→	Liquidate

Step 3

FIGURE OUT YOUR NUMBER



Three Ways To Come Up With Your Number

WHAT IT'S WORTH

VERSUS

WHAT YOU NEED OR WANT

Figure Out Your Number - Retirement



INCOME YOU NEED TO FUND YOUR LIFESTYLE	\$150,000
	X 20
	<hr/>
YOUR GOAL	\$3,000,000
INVESTMENTS OUTSIDE YOUR BUSINESS	- \$700,000
	<hr/>
NET PROCEEDS NEEDED FROM BUSINESS SALE	\$2,300,000

Figure Out Your Number – Risk Aversion



BEFORE

AFTER

MAXIMUM POSITION ON % TERMS AFTER RE-CAP	30%
NET WORTH	\$5,000,000
BUSINESS VALUE	\$3,500,000
CURRENT POSITION	70%
-30% OF NET WORTH	\$1,500,000
$-\$1,500,000 \div \$3,500,000$	42%
THEREFORE SELL 58% @ A VALUATION OF \$3,500,000 :	\$2,030,000

NET WORTH	\$5,000,000
BUSINESS VALUE	\$1,500,000
ASSETS OUTSIDE	\$3,500,000

Calculate Net Proceeds Of Sale

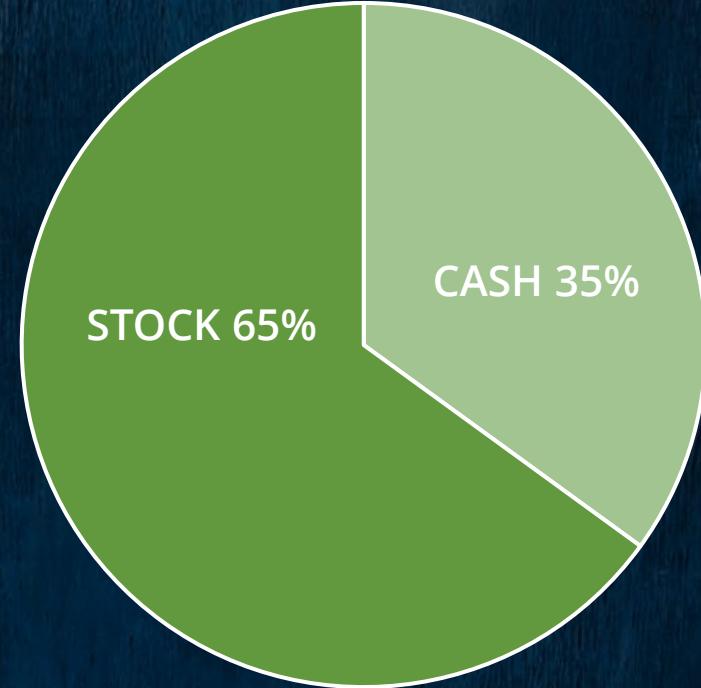


SALE PRICE	\$3,500,000
INTERMEDIARY FEE (5%)	\$175,000
LEGAL FEES	\$20,000
EMPLOYEE "THANK YOUS"	<u>\$350,000</u>
NET PROCEEDS BEFORE TAX	\$2,955,000
TAX @ 23%	\$680,000
NET PROCEEDS AFTER TAX	<u>\$2,275,000</u>

Consider Currency



VS.



Step 4

DECIDE THE LIFE YOU WANT POST EXIT



Your Role Post Sale (Lender)



CASH

\$3,500,000 VS.

Seller Held Note

Closing Payment: \$2,500,000

8% INTEREST ON \$1,000,000 X 5 YEARS: \$1,216,560

TOTAL PROCEEDS: \$3,716,560

Your Role Post Sale (Earn Out)



CASH

\$3,500,000

VS.

EARN OUT

Closing Payment: \$2,500,000

EARN OUT: \$2,000,000

TOTAL PROCEEDS: \$4,500,000

Your Role Post Sale (Consultant)



CASH

\$3,500,000

VS.

CONSULTING AGREEMENT

GUARANTEED FUNDS: \$3,500,000

CONSULTING FEE: \$450,000

\$3,950,000

Your Role Post Sale (Shareholder)



CASH

\$3,500,000

RE-CAPITALIZATION

VS. CLOSING PAYMENT: \$2,800,000

SECOND BITE: \$2,500,000

\$5,300,000

Step 5

PINPOINT YOUR SPOT ON THE EXIT MATRIX



The Exit Matrix



Five Steps To Get Ready To Exit

1

GET CLEAR ON WHY YOU ARE EXITING

2

ALIGN YOUR EXIT TYPE WITH YOUR WHY

3

FIGURE OUT YOUR NUMBER

4

WHAT RELATIONSHIP DO YOU WANT POST EXIT

5

PIN-POINT YOUR SPOT ON THE EXIT MATRIX



Next One: 3.19.26



BEST PRACTICES WEBINAR
AVOID THE PARTNERSHIP PITFALLS:
GET YOUR BUY-SELL AGREEMENT UP TO DATE



PROSPERITY PLUS



Questions?



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PROSPERITY PLUS



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