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Preparing for exit: A Five-Step Action Plan

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Planning your company's exit strategy from the beginning will ensure your financial reporting and business strategy is aligned with your ultimate exit goals. Technology companies often have opportunities to exit early in their lifecycle, relative to traditional industries. While an early sale can be advantageous for shareholders, the company often lacks a solid exit strategy.

The actual process is complex and tailored to each transaction; that's why these five key action steps can help you increase opportunities and maximize value.

1. Plan early

You never know when the right opportunity will present itself, so you should be prepared at all times. We typically encourage companies to prepare at least 12–36 months in advance to allow time to implement changes and develop strategies to maximize your company's value.

By planning early for an exit, you will be able to align your financial and business strategies from the beginning.

2. Align exit strategy objectives with shareholder expectations

A successful transaction is dependent on a united front. Consider what your shareholders envision after a sale. Do they desire a role post-transaction or have interest in retaining an ownership stake? Is everyone on the same page regarding the company's market valuation?

3. Research the market and the competition

What is the economic condition of the market? Consider the forecasted growth and outlook of the technology industry. A strong outlook will lend to pricing power for the seller. In addition, analyze comparable transactions in your industry.

By understanding what your competitors are doing, you can identify ways to improve your own strategy and compete.

4. Perform sell-side due diligence

Prepare to satisfy diligence requests by identifying factors that enhance or erode your company's value. This proactive approach will help determine and maximize your company's value. Review your corporate structure with an eye toward simplicity. Are you as tax efficient as you can be? Do you have a strong market position? Be prepared to assess vendor and client contracts and ensure your company meets all revenue recognition requirements.

5. Develop strategies to improve valuation

If your valuation is not aligned with your expectations, identify areas of growth and expansion. Consider funding organic growth such as new offices, new products or services, or increased marketing to fuel more business. Beyond organic growth, consider mergers or acquisitions. By adding synergistic companies to your portfolio you can accelerate growth and expand your market reach. Both forms of expansion will increase your work force and diversify your customer or vendor base — which will in turn make your company more valuable in the eyes of potential buyers.

Finally, engage a skilled investment banking advisor you are comfortable with and develop long-term relationships before an actual deal is occurring. As a seller, you will be better equipped for an actual transaction by asking questions and discussing situations prior. This will allow you to manage your business without becoming distracted by the transaction process, which can overwhelm even those businesses with prior transaction experience**.**

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