The 'Dream' Business Exit

Almost all business owners have a “dream exit”: a well-financed buyer flies in, offers up a suitcase full of cash with no strings over a steak and lobster dinner, and the next day the owner is sitting on a beach with a Mai Tai. These kinds of dream exits do occur, but they are extremely rare. It is good to be open to dream, while preparing for something more realistic, which is that both sides are just happy enough to finish a deal without killing each other.

Owners should always think about what would constitute a dream deal and work toward that goal. Along the way, with proper preparation, the value of the company will improve. **It is astonishing that some owners work 20-30 years building up their business but won’t spend 15 minutes preparing for a sale.**

Steps to the Dream Machine

1. Step back and think about **what the goals are for the deal**, both for the business and for personal goals. It is important to have realistic expectations for price, terms, process, and post-closing involvement.
2. Consult with various advisors on **how to improve the value of the business** and how to prepare. The common advisors are the attorney, CPA, investment banker, and wealth advisor.
3. Start preparing, while periodically reviewing your progress. Along the way, consulting with mentors and peer groups can help owners in a variety of ways.
4. **Benchmark your company versus others in the industry**. For example, are they buying top direct imaging and test equipment, and is the company over-invested, under-invested, or about average?

These steps can help valuation, terms, and the ease of selling. Although not all owners get a big suitcase full of cash at closing, getting an excellent price without too much hassle is not a bad deal either.

Evaluating the Types of Exits

Dream-ish

Much more common than a dream exit is a dream-ish exit. Maybe the deal was not quite as good as originally expected and it took longer than planned. Perhaps the seller’s business dropped somewhat during due diligence, or the buyer found out that the owner’s baby was not quite as cute as first thought. The owner can still brag at the golf club that it was a dream exit, but truthfully there was some money left on the table.

So-So

Unfortunately, so-so deals are very common. The owner accepts the deal but is not too happy. The price and terms were just okay, the process took too long, the buyer found a lot of problems during due diligence, and there was a lot of stress on both sides. Maybe the owner needs to keep working to secure deferred payments. With better preparation and coordination, the owner could have received a better deal.

Not So Good

In this type of deal, it's not a great price, the terms are lousy, the process takes way too long, due diligence was difficult, the deal died nine times, there was significant stress involved, advisory fees exploded, and employees and/or customers found out about the deal in advance. Both the owner and buyer cannot believe that they did not walk away from the deal, but they also had **too much invested in it to walk away**. At least a deal was completed, but neither side feels too good about it.

Nightmare

This is a failed deal. There are big legal, accounting, and other fees; business was damaged because the owner took their eyes off the ball; and both sides got mad and will not talk with each other again. Some busted deals are so bad that the seller's business never really recovers, and some even end up going to an equipment auction. It is usually better to pull the ripcord on a bad deal than to keep pushing for a deal that no longer makes sense.

Yet sometimes dreamy deals come out of the ashes of dumpster fire deals. It would have been far easier and cheaper to buy "M&A for Dummies" than to receive an expensive education through a busted deal. However, owners can learn a lot from failed deals and be better prepared for the next opportunity that comes around. Whether the busted deal was a nightmare, or the owner woke up before it got too bad, it can be an excellent learning experience. It is usually best to take a break from deal-making and focus on the business for a while. However, the next buyer does not necessarily know that the last deal was a nightmare, so be ready to start fresh with an open mind.

To paraphrase someone famous:
"The harder you work and prepare, the dreamier the exit."

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