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Exit Planning

Making Informed Decisions While Enhancing the Value of Your Business

Agenda

1. Importance of Planning
2. Exit Planning Process
3. The Value of Advice
4. How Morgan Stanley Can Help

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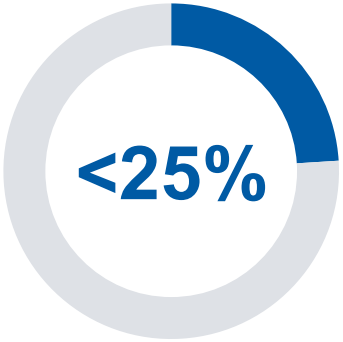
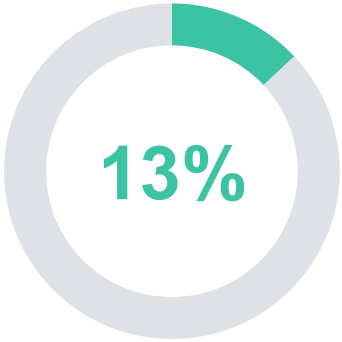
SECTION 1

Importance of Planning

Exit Planning By the Numbers



Less than 25% of private businesses say they have a formal succession plan in place (1)



13% of family business members in the next generation say the business would continue to run smoothly if an important family member moved on (2)

3 out of 4

Business owners regret their decision to sell 12 months after selling (3)

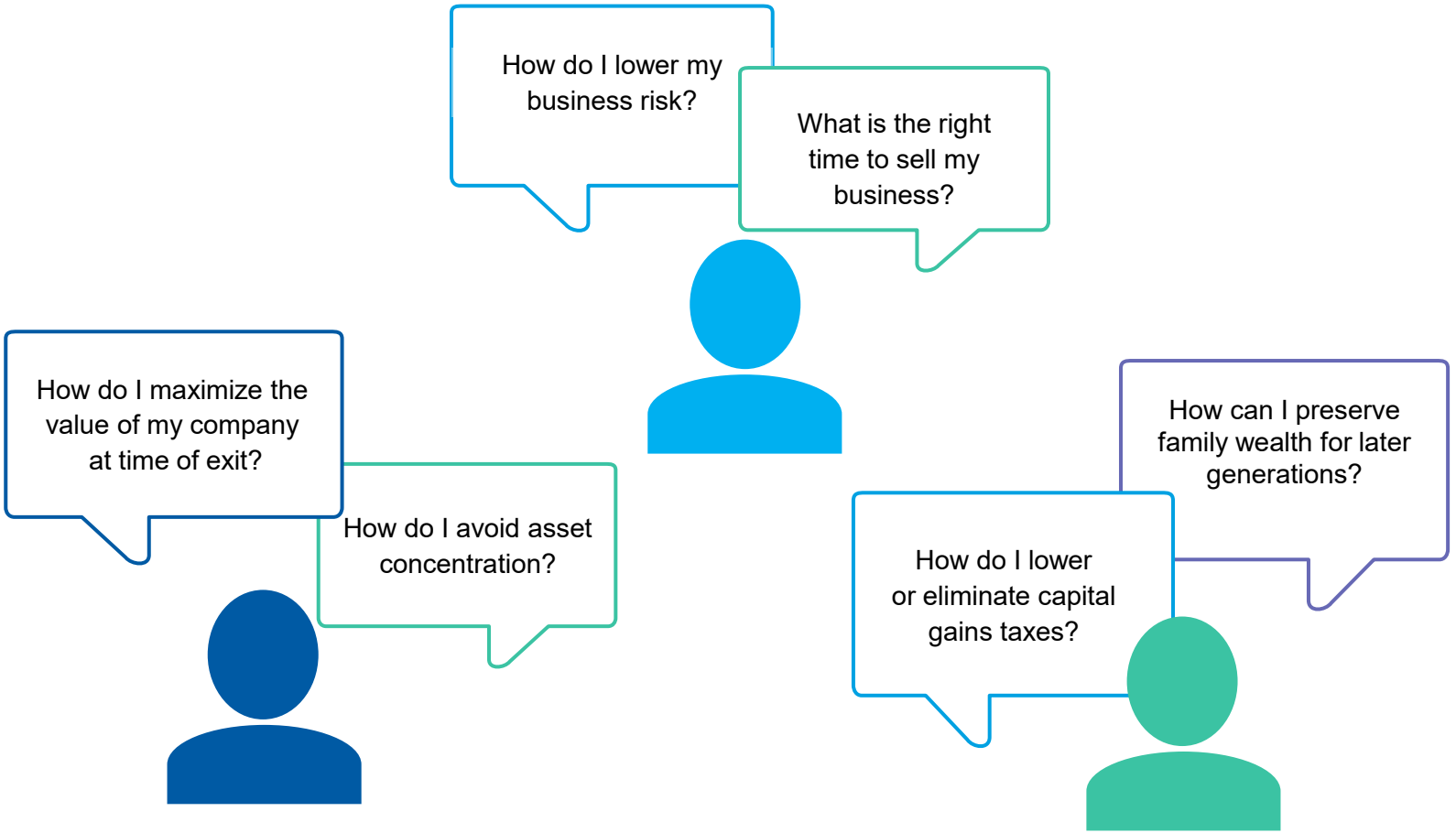
70 – 80%

Of businesses put on the market do not sell (4)

Sources:
1. Fiffik Law Group. 75% of Businesses Have No Succession Plan. Updated May 1, 2024. Available at https://www.fiffiklaw.com/post/75-of-businesses-have-no-succession-plan.
2. Inc. Succession Planning Woes Complicate Family Business Growth. May 14, 2024. Available at https://www.inc.com/sarah-lynch-/succession-planning-woes-complicate-family-business-growth.html.
3. Goldhill Group. Most Owners Regret Exiting Their Business. Here's Why a Business Exit Strategy Is Important. Available at https://www.thegoldhillgroup.com/most-owners-regret-exiting-their-business-heres-why-a-business-exit-strategy-is-important/.
4. Worldwide Business Brokers. How Many Businesses Sell? Available at https://worldwidebusinessbrokers.com/how-many-businesses-sell/.

Exit Planning Raises Many Questions

You may be asking yourself



Exit Planning Can Be Complex

With so many issues involved, an integrated approach is critical when exiting a privately-owned business.

Risks of Not Being Prepared

Undervalue Your Company

Unable to Control the Exit

Pay Too Much in Taxes

Fail to Achieve Your Personal Goals

Benefits of Proactive Exit Planning

Owners of closely-held businesses may have multiple priorities as they prepare for transition.

It Takes Time to Prepare to Exit Your Business

Gain in-depth knowledge of your business

Refine your business strategy

Control how and when you exit

Maximize the value of your business

Minimize your tax obligations

Being ready for an exit, even if you do not want to sell right away

Reduce risk

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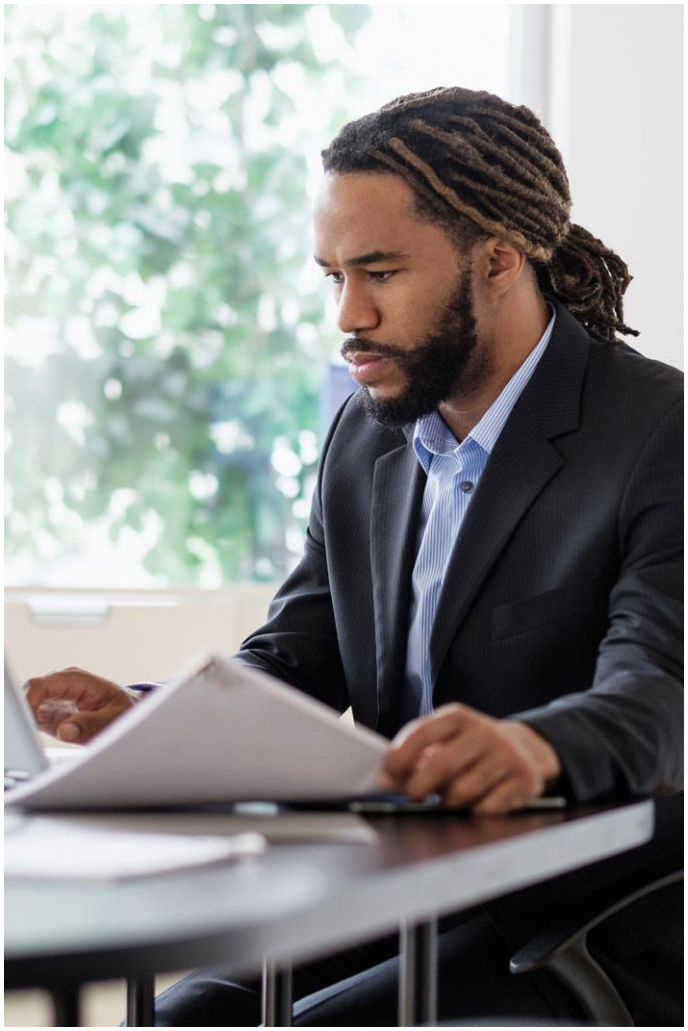
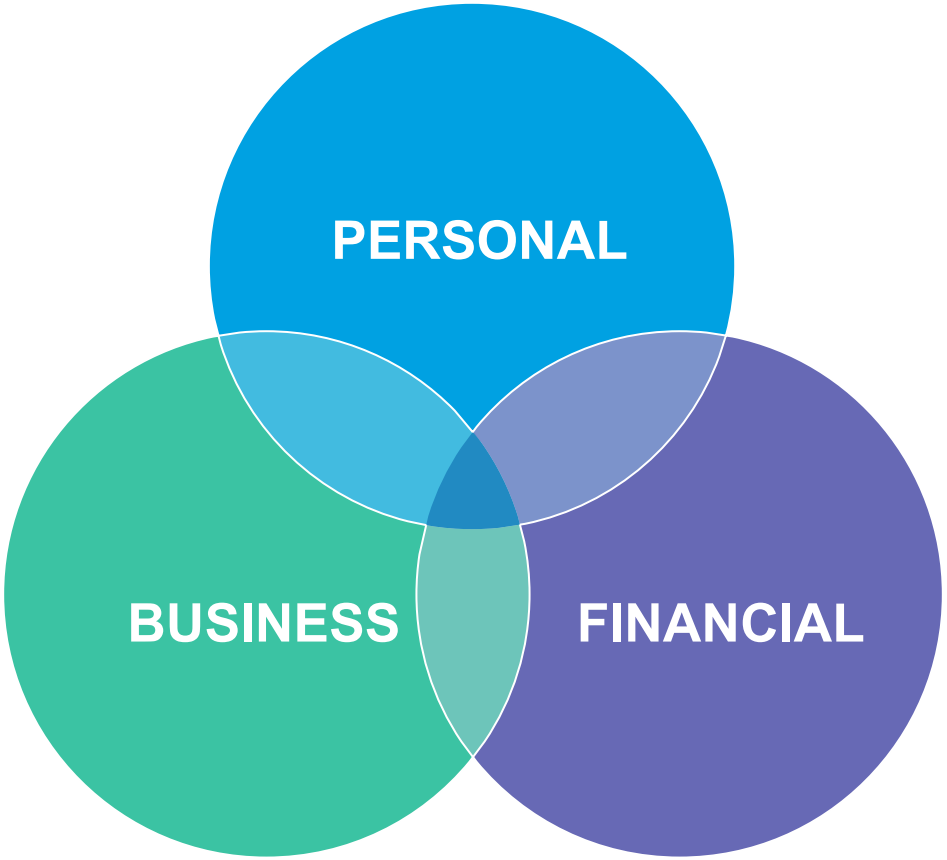


SECTION 2

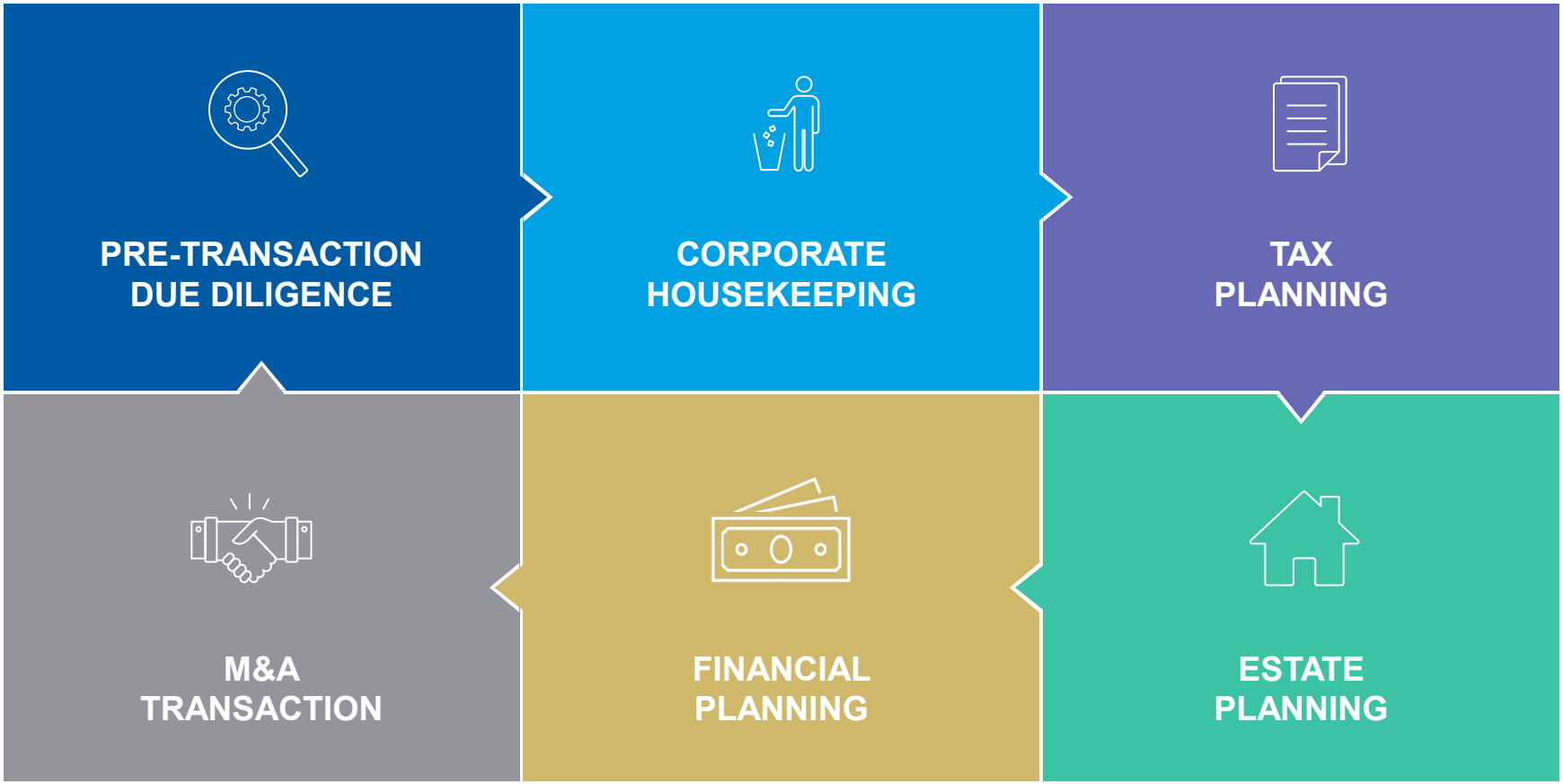
Exit Planning Process

Assessing Exit Readiness

Exit readiness involves a number of inter-related factors

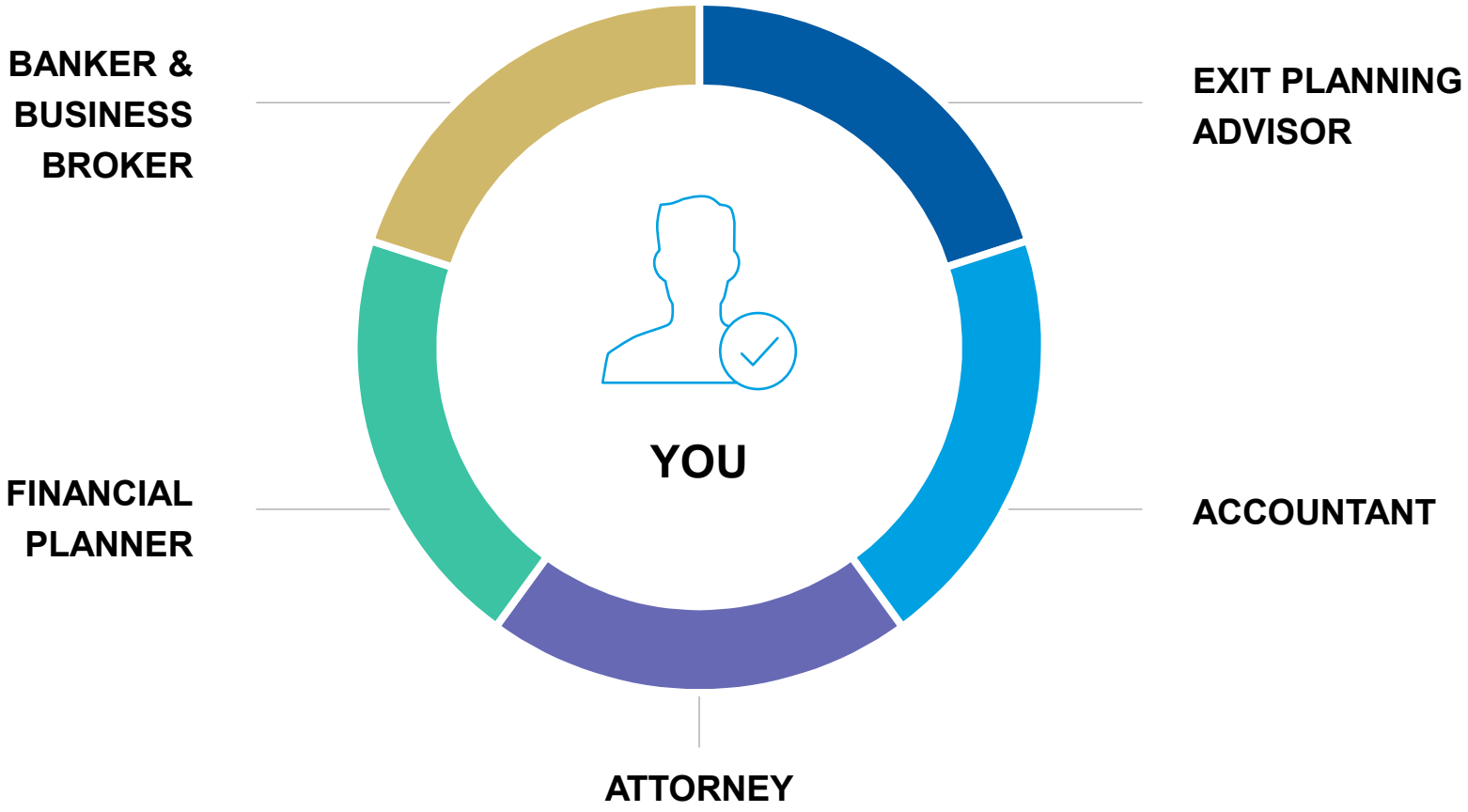


Exit Planning Activities



Assembling an Exit Planning Team

It is integral to have a cohesive and experienced team of advisors who can provide critical support and help you make informed decisions



Exit Planning Process

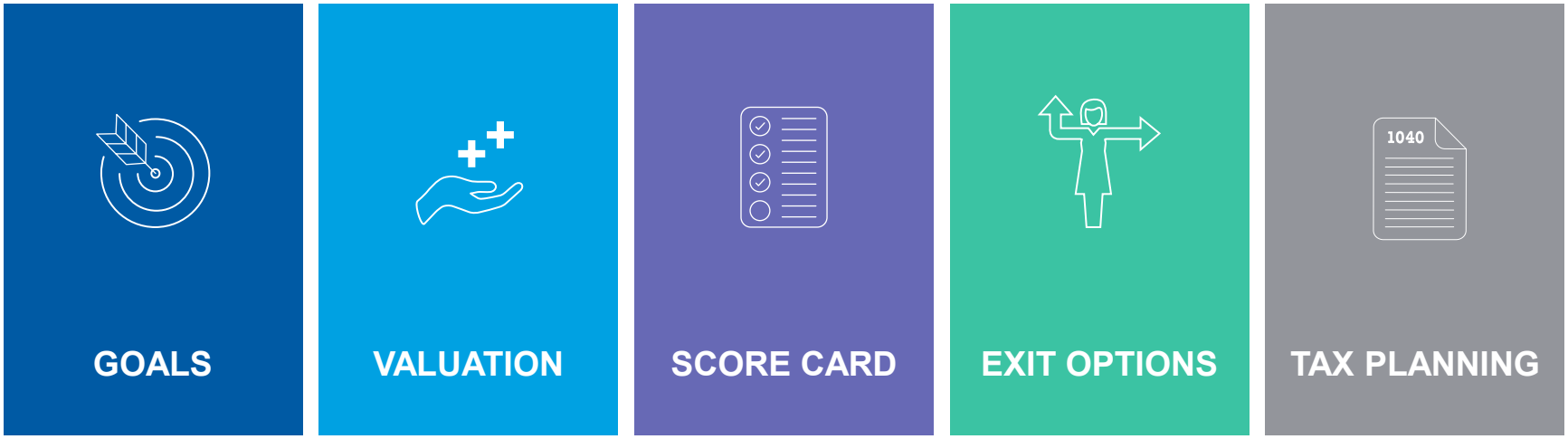
OVERALL OBJECTIVES OF EXIT PLANNING

Define
Post-Sale
Goals

Maximize
Enterprise
Value

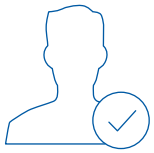
Financial /
Estate / Tax
Planning

AN INTEGRATED PROCESS HELPS PUT YOU IN CONTROL

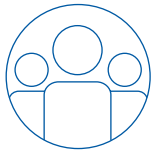


Exit Planning: Defining Your Goals

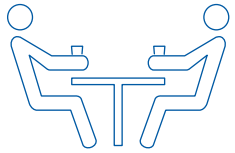
DEFINE YOUR GOALS IN EACH OF THE FOLLOWING AREAS



Personal

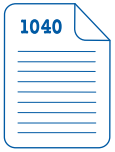


Family



Business

Estate Planning



Tax Planning

Financial

Setting clear goals allows you to establish clear priorities and make informed decisions

Exit Planning: Valuing Your Business

ESTIMATE THE VALUE OF YOUR BUSINESS

BALANCE SHEET

MULTIPLE OF EARNINGS

MARKET COMPARABLES

DISCOUNTED CASH FLOW

Exit Planning: Creating a Company Score Card

BENCHMARK THE CURRENT STATE OF YOUR BUSINESS AND ADDRESS ANY GAPS

01

ANALYZE YOUR COMPANY

Perform an analysis of your Company's strengths and weaknesses from a buyer's perspective

02

ADDRESS THE GAP

Determine if there is a gap between your goals and what you might expect to receive from your business

03

IDENTIFY VALUE OPPORTUNITIES

Evaluate opportunities to not just close the gap, but enhance the value of your business

Exit Planning: Exploring Exit Options

EXPLORE YOUR OPTIONS FOR EXIT

01	Transfer to family members	02	Sale to third party
03	Sale to other shareholders	04	Refinancing
05	Sale to management	06	Orderly liquidation
07	Sale to employees	08	Maintaining the status quo

Consider the potential pros and cons of each exit option in the context of your priorities and goals

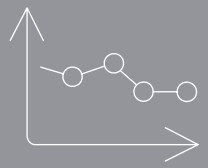
Exit Planning: Understanding Tax Implications

UNDERSTAND THE TAX IMPLICATIONS OF EACH EXIT OPTION

Factors to consider include: [1]

CAPITAL GAINS

TAX DEFERRAL STRATEGIES



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SECTION 3

Value of Advice

Delivering Value

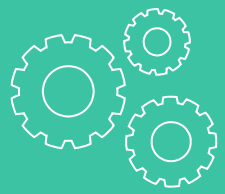
As valued Financial Advisors, we make it our goal to

- Understand Our Clients' Needs
- Be Proactive and Responsive
- Understand Our Clients' "Big Picture"
- Deliver Solutions

Strengthening Client Relationships

Exit planning is a power tool for developing your practice

DEEPENING YOUR RELATIONSHIP WITH YOUR CLIENT



PROVIDING ADDITIONAL VALUE-ADDED SERVICES

HELPING TO CREATE LIQUIDITY FOR YOUR CLIENT

01

STRONGER CLIENT RELATIONSHIPS

02

NEW BUSINESS OPPORTUNITIES

03

EXPANDED NETWORK OF PARTNERS

Multiple Options for Partnering with Us

We understand the value of collaboration and are open to partnering with centers of influence who are seeking to augment the service they provide to their clients

Leverage our experience in exit and business transition planning

Solidify your role as a trusted advisor to your valued clients

Benefit from having a sounding board and a second set of eyes

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SECTION 5

How Morgan Stanley Can Help

It All Begins with One Essential Conversation

We use the same process to engage with clients and partners

WHAT IS IMPORTANT TO YOU?

This is where our conversation begins.

HOW EXACTLY DO WE WORK WITH YOU?

Aligning on goals and expectations from the relationship is critical.

A TAILORED APPROACH

Your goals and circumstances are unique, so your plan must be tailored.

PROTECTING WHAT YOU HAVE BUILT

You've worked very hard to get to this point in your life.

Through sound advice and disciplined planning, we are committing to helping you protect what you have built.

Key Takeaways

SET CLEAR GOALS

Establish priorities and work purposefully toward your goals.

SEEK GUIDANCE

Get advice from advisors who are experienced in the opportunities and challenges you may be facing.

STRATEGIZE & EXECUTE

Work together with your advisors to put a plan in place and bring together the resources needed to help you achieve the exit – and the lifestyle – you envision.

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