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## PRIVATE COMPANY EXITS ARE IN TURMOIL

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Privately held U.S. businesses are facing a crisis. Research estimates there are some 4.5M firms that represent more than \$10 trillion in business value that will transition ownership during the next 10-15 years. The same study notes the generally accepted assumption by financial planners that 85-90 percent of the average owners' net worth is tied up in their business. Currently the situation for most owners desiring to exit is grim. The majority of private owners are unprepared, as the following report will indicate. However, there is good news on the horizon with the growing advent and availability of a new kind of intelligence – Exit IQ™ -- and a new breed of resource to prepare these millions of owners for successful transitions that can happen when they want, in the way they want, and for the highest possible value.

## A DAUNTING REALITY

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Stunningly, 53 percent of business owners have given little to no attention to their transition plans (even though ¾ of respondents were 51 or older). The giant majority (88 percent) had no written plan, which is consistent with other studies such as the 2021 Family Business Survey by PwC as well). In addition to the 88 with no written plan, there are 66 percent who have no plan at all.

Eighty percent have never sought financial or strategy professionals about their eventual transition and 70 percent have no firm answers on how much post retirement income they'd need. And one-third have not even thought about management succession.

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# 4.5 M

FIRMS WILL TRANSITION OWNERSHIP  
DURING THE NEXT 10-15 YEARS

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# \$10 T

THAT WILL TRANSITION OWNERSHIP  
DURING THE NEXT 10-15 YEARS

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# >85%

OF THE AVERAGE OWNERS' NET WORTH IS  
TIED UP IN THEIR BUSINESS

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# 66%

OF BUSINESS OWNERS HAVE GIVEN HAVE  
NO TRANSITION PLAN

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## THE COVID PANDEMIC MADE IT WORSE

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McKinsey & Company reports that for private equity backed companies the results of the pandemic are startling, with announced exits dropping almost 70 percent from May 2019 to May 2020. The situation has been equally or even more dramatic for family-owned and privately funded companies. Some businesses in sectors dramatically affected by the pandemic, have failed. Others – even in the cases where business has re-bounded or even thrived – are also facing difficulty following the pandemic as potential acquisition partners.

Potential buyers are concerned that business processes may have recently changed, businesses may still be in the process of rebounding which contribute to shorter periods of consistent revenue history. For funders- like banks, private equity or other funding sources, the dramatic changes raise worries that forecasted market positions and revenue may be too optimistic and not enough of a proven history to safely calculate predicted revenue and sustainability for the long term.



## OVERALL, THE STATISTICS ARE GRIM

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Many experts believe that only 20 to 30 percent of businesses that go to market end up selling. What this means for the many Boomer-aged owners who are counting on successful sales or transition to fund their retirements is daunting, at best. Many who've hoped and planned for exits realize too late their businesses aren't ready and are beginning the process much later than planned, and either retire later or find they are unable to retire at all. We can also add to these sad statistics the legions of owners who respond to the prospect of exit by talking to the first advisor who approaches, and without sufficient understanding and evaluation of all the varieties of exit or the wisdom in selling to a field of prospective buyers instead of to the first target who presents an offer. This means that of the 20-30 percent of businesses that successfully sell, many (if not most) have sold through a less than ideal format for a much lower price than they could have achieved. Additionally, some do not survive the transition after the sale.

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# 20-30%

ONLY 20 TO 30 PERCENT OF BUSINESSES  
THAT GO TO MARKET END UP SELLING

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All of these factors have a great impact on the latter lives of the business owners, as well as vastly reducing the success that contributes a great portion of the jobs and revenue that support the U.S. economy.

## **WE NEED A NEW KIND OF INTELLIGENCE: EXIT IQ™**

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Exit IQ™ is the outgrowth of a 30-year experienced company, Moreton Business Solutions, in Salt Lake City and serving the Intermountain states that has assisted hundreds of privately held businesses through multiple generations of owners to successfully design and execute ideal exits from their companies. Specifically, Exit IQ navigates the sale of businesses ranging in value from \$10M to \$250M to an outside party, internal transfers of ownership to partners or family members or Employee Stock Ownership Plans.

Exit IQ and its foundational predecessor Moreton Business Solutions are the innovators and creators of the Exit intelligence knowledge they have been using to assist scores of business owners in exiting their companies when they want to, in the way that they want to, and at the highest possible price.

For business owners, the access to a resource such as Exit IQ changes the entire equation of a company exit. Beyond the dire statistics that represent the majority of today's attempted and completed exits, the expertise and knowledge Exit IQ provides to its clients to:

- 1) Identify the optimum exit strategy and price (we establish a base line price at which the owner(s) agree to go to market, but we don't publish a price, the auction process establishes the optimum price),**
- 2) Provide extensive due diligence to identify the ideal investment banker for an outside sale transaction,**
- 3) Prepare the business and educate the owner well in advance for a controlled auction of multiple buyers to increase owner/seller leverage to negotiate the highest price. This ensures far higher preparedness of the business, a much higher percentage of successful closings (as well as successful succession and continuation of business) and the maximum possible price.**

## ACQUIRING EXIT INTELLIGENCE IS A GAME CHANGER

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In all, what the vast majority of today's privately held business owners require is an advocate, a source of education, and an experienced coach to prepare them for a successful exit. This is important in that every business and owner's exit objectives are unique.

For example, getting the highest price is not always the highest objective. All business owners want a fair price, but many also want to retain their legacy, key talent that helped them build the business, company culture, reputation integrity, job creation and economic contributions to their community. By increasing the "exit IQ" of business owners, Exit IQ empowers owners to leave their businesses on their own timetable and on their terms.

Additionally, many large companies have acquired multiple businesses. These entities have acquisition teams that are experienced, knowledgeable, and tactically skilled. Because many privately held business owners have never sold a business before, they are at an immediate disadvantage in a selling situation. Traditionally, their exit IQ is limited, and they are unfamiliar with the process, pitfalls, negotiation strategies, and tax implications of an exit outcome. Tragically and all too often a business can even fail during or following the process of an exit that isn't ideally executed or designed. Owners can be taken advantage of in ways they are totally unaware of. Exit IQ, however, can keep the odds of success in their favor.



## WHAT IS THE EXIT IQ DIFFERENCE?

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Selling a business is complicated and even when ideally designed could take a year or longer to achieve, depending on the strategy chosen. During this process, the business must maintain peak profitability to achieve optimum financial targets. When the owner is able to increase their exit IQ, they are well prepared in advance and can understand each step in the process. They know the parameters they must achieve and the rationale for their outcomes. They anticipate and solve problems in advance and are equipped to manage the process as well as the profitability of the business with far greater ease.

Within the process, Exit IQ helps owners determine the value of the business, to execute their plan, and to achieve their highest objectives.



With the increased knowledge they gain, business owners are far better equipped to leave their businesses at the time and on the terms they desire.

Without guidance, the owners of most privately held companies fall into the trap of negotiating with and selling their business to a single buyer. Most often they come to the table with no leverage or experience and become overwhelmed with the complexity of the process. This often causes sellers to accept whatever the buyer is telling them. In contrast, Exit IQ's controlled auction process provides multiple buyers, creates negotiation leverage, increases the business value, and puts the odds of success firmly in the hands of the business owner.



## HOW COULD YOU BENEFIT FROM EXIT IQ

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If you are a business owner who hopes to exit your business in the immediate future or prepare for a successful exit within the next 10 years, you can benefit from gaining additional exit IQ.

Additionally, Exit IQ can help identify and design the ideal exit plan and structure for you. Within the Intermountain States, you can visit with the team of Salt Lake City-based Exit IQ directly. If you are outside of this region, Exit IQ can recommend an ideal representative for you as a licensed member of the national BEI Exit Planning Solutions network.

As a bonus, if you're a business owner and would like to assess your current Exit IQ you can take a quick assessment at [ExitIQ.com](http://ExitIQ.com).

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