



A Financial Team's Critical Role in Preparing Exit Strategy

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As difficult as it might be to envision someone else at the helm of your business, the fact is nobody can run a business forever. Eventually there will come a day when it's time for you to exit your company. This may be because you're ready to retire, you want to cash out and liquidate your ownership stake in the company, or you want to devote your time and energy to other entrepreneurial pursuits.

Therefore, one of the most important tasks that any business owner or entrepreneur must perform is the preparation of an exit strategy. Your exit plan — also sometimes referred to as a succession plan — prepared by you and your team of advisors will set forth a timetable for your eventual exit from the company, identify potential successors and future leaders, and detail how your ownership interest in the business will be liquidated.

Finances Take Center Stage

One of the key elements of an exit strategy that many owners and entrepreneurs often overlook is the financial and operational aspects of the plan. When it comes time to negotiate price and terms with potential business buyers, the finances and operations of the business will take center stage. That's why neglecting these parts of your exit plan can be very costly.

Oftentimes, the operational records of the business — like meeting minutes, contracts and other operating agreements — have not been properly maintained by the company. Or, to save money, companies sometimes forgo an audit and even an external financial review. This results in non-GAAP-compliant financial statements that are viewed as inaccurate by external parties and could require substantial revisions.

Accurate and verifiable financial statements provide a window into how a company is performing operationally. A lack of credible financial statements and other operating records could be a potential turn-off to any buyer and put a future business sale in serious jeopardy due to concerns about unknown liabilities, contractual obligations, quality of earnings and cash flow. Potential buyers need to have some assurance that the financial records they are reviewing are accurate, so a lack of confidence in these records could result in a cancelled or delayed transaction.

In many cases, the contracts that a company has agreed to and signed hold the key to its future obligations and commitments. Potential buyers will want to have clear visibility into these obligations. At some point in the sale process, the selling company is usually required to have a "data room" where potential buyers can view all of the company's corporate documents. If these documents are not current, signed and readily available for review, the transaction process will be slowed.

Why the Financial Team is Critical

For all of these reasons and more, the role of the financial team is critical in addressing that portion of a business exit strategy and plan. However, many small and middle-market companies do not have the kind of expertise on their in-house financial team that's required in order to help prepare a thorough exit strategy and avoid problems like these.

An outsourced CFO services provider can offer valuable assistance in this scenario. This provider will bring technical financial expertise and experience in the compliance accounting field to the engagement to ensure that operational records are complete and financial statements are accurate and GAAP-compliant. The outsourced CFO will bring more than just technical expertise to the table, though. He or she will also provide a bridge between the finance function and all the other operational functions in the company.

Also, having an experienced financial professional who has participated in the business sale process before will result in a more efficient and effective transaction. The presence of an experienced outsourced CFO at the table will provide additional comfort and reassurance to all the parties involved that the financial records of the company are timely and accurate.

The outsourced CFO can also help set up a virtual data room. This financial professional will know what corporate documents need to be warehoused in the data room, where and how to locate these documents, and how to secure and store them at the lowest possible cost.

You may reap a number of benefits by retaining an outsourced CFO services provider to help you prepare your business exit strategy, including the following:

1. The outsourced CFO knows what to focus on and can anticipate issues that might arise. Therefore, the transaction may be consummated faster and with fewer complications.
2. Having the experience of working on other similar strategies, the outsourced CFO will understand what the value drivers of your company are and help you obtain maximum value for these items.
3. By having thorough operational and financial records in place, the outsourced CFO will help ensure that there are no accounting or finance-related issues that could slow down or derail a sale.

Finally, keep in mind that even if a particular sale transaction does not occur, your company will have established a strong financial and operational basis with which to pursue future transactions.

Concluding Thoughts

One of the most important tasks any business owner or entrepreneur must perform is the preparation of an exit strategy. A key element of an exit plan is the financial and operational aspects of the plan — because when it comes time to negotiate price and terms, the finances and operations of the business will take center stage. An outsourced CFO services provider can offer valuable assistance in helping you prepare your exit plan by ensuring that operational records are complete and financial statements are accurate and GAAP-compliant.

You may also be interested in our complimentary white paper that looks at exit strategy in greater detail:



White Paper

Planning a Business Exit

[Click here](#) to learn more.

A business owner contemplating exiting his or her business faces many challenges and decisions across a range of financial, operational and personal areas.

The white paper contains 15 sections addressing areas like the importance of planning early, exit methods, advisors and their roles, valuing the business, outside help finding investors, and transaction negotiation.

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