



TOTAL TECH SUMMIT

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Succession & Future Planning for Your Business

What we learned at Total Tech Summit

Moderator: Ari Fuchs

Succession & Future Planning for Your Business, was a recent panel discussion at the Total Tech Summit, conference in Las Vegas. Over 300 business owners from the nation's largest and most progressive integration companies attended to listen to the experiences of two colleagues who had already navigated the process of selling their company, Max Angst, Founder, MAXSYSTEMS INC.; Luke Jordan, CEO & Co-Steward, Electro Acoustics, and two M&A professionals that guide business owners through transactions: Kelly Bond, Partner, Davis Mergers & Acquisitions Group and Ari Fuchs, Managing Director at The DAK Group who also moderated the panel.

Session Description

For business owners, their company is something akin to a child – something they created; something they love deeply; and something they hope will far outlive them. Too often, though, business owners do not establish a firm succession plan to ensure their company will thrive for decades to come. This panel discussion features an in-the-trenches

perspective from the custom, commercial and security integration channels, and will provide actionable takeaways to help you secure your business' future, as well as protect the unique DNA that you've infused into your organization.

Key Takeaways

Start preparing at least 3 years in advance of when you want to sell.

By giving yourself three years, you should have enough time to ensure the systems, processes, management and financials are in order and all legal (employee, environmental, IP) issues are addressed. This will also give you a good amount of time to groom your successor and allow you to step back.

Handling family members is critical to a successful transition.

Focus on each family member in the business and think about their true capabilities. If they are capable of running the company and have a desire to do so, , then groom them. If they don't want to run it, but want to stay on, be sure they are capable and productive in their function, if

not be direct with them, let them know where improvement is needed and provide the necessary training; if they are not interested or capable then gracefully move them out.

Important steps to ensure transaction readiness and drive value in advance of an exit.

Prospective buyers need to have confidence in the accuracy of the financial picture you paint for them. As such, your financial statements must be reliable, accurate and available in a timely organized fashion. 3-years of accountant-prepared financial statements are typical. In addition, strong financial controls and systematic procedures will be viewed positively and increase confidence with buyers.

A potential area of risk for the new owner is your company's dependency on a few key employees or customers. If your operation is overly dependent on one or a few key leaders or customers, potential buyers may be reluctant to move forward unless you have taken steps to mitigate that risk.

When possible, lock in key employees by obtaining non-compete or non-solicitation agreements well in advance of a transaction.

Unexpected Surprises /Mistakes to Avoid

Keep focused on your business during the sale process. Don't let the process distract you, be sure you have a good team in place (Accountants, Lawyers, Wealth Managers, Investment bankers), that have experience with your size company and let them do their jobs while you keep the business on track.

Be Flexible. Sometimes owners think they only want a certain type of buyer. The key is to stay flexible and evaluate offers from strategic, financial or hybrid buyers. The goal is to determine which offers you the best fit for your situation.

Understanding that buyers are buying the future not the past. And understanding the company's value, and prospective buyers' motivation to buy it.

It is critical to be able to paint a compelling picture of the future so prospective buyers can understand the accretive value your business will provide them. The key is understanding what it is worth to the buyer, considering their economics and potential to

Final Note

Most business owners have invested years in building a successful business. When the time comes to sell or transition out of that business, you'll want to get the greatest possible value in return for all those years of hard work.

With so much at stake, you're going to want to do all you can to be ready. How well you prepare your business for sale or transition will make all the difference in its perceived value in the marketplace.

It doesn't matter if your ideal exit strategy lies two or ten years down the road. The time to begin addressing these issues is now. The decisions you make today will determine the returns you receive for all those years of effort.



**About
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Ari Fuchs is a managing director & chief quality officer of The DAK Group an investment bank specializing in the M&A of privately held companies and based in Rochelle Park, NJ.