



Master Your Business Exit: A Roadmap to Valuation and a Financially Secure Future

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Building a successful business is no small feat. You've spent years identifying a market need, deploying your skills, and creating a company that serves customers and creates your legacy.

But now, as you begin to think about selling your business or transitioning into retirement, it's time to pivot your focus. The question isn't whether you'll exit your business, but how you'll do so in a way that aligns with your financial goals, maximizes your wealth, and protects your legacy.

While many entrepreneurs focus on the day-to-day operations of their business, the most successful transitions happen when business owners start planning for an exit well in advance.

An Exit Planning Institute study found that only 20% of business owners feel confident in the value of their business when it's time to sell. This highlights the importance of planning ahead to maximize the value of your company and ensure a smooth transition.

This white paper will outline the steps necessary to prepare for a successful business exit, including why business valuation is critical, how to align your team of advisors, and the common mistakes that can jeopardize a smooth transition.

Why Early Exit Planning Matters

Many entrepreneurs believe that exit planning is something to address once the need for it becomes urgent, such as when an acquisition offer comes in. However, Harvard Business Review notes that businesses with strategic exit plans in place achieve higher sale prices and increased buyer interest because they've positioned themselves as a stable, scalable operation.

Early planning allows business owners to not only prepare for a smooth transition but to make strategic improvements that increase their company's value.

Here are some of the advantages of starting early:

- **Increased Business Value:** Through proactive changes in your business model, leadership structure, or operations, you can enhance the company's performance, increase its scalability, and appeal to a wider range of potential buyers.
- **Stronger Negotiation Position:** A well-structured exit plan demonstrates foresight and reduces buyer risk, making your business a more attractive acquisition and positioning you to secure better terms.
- **Smoothen Transition:** Planning in advance addresses potential challenges early, ensuring a clear path for ownership transfer and minimizing disruptions.

A study by Bain & Company found that companies that invest in exit planning see 25% higher sales prices and faster exits. By waiting until you're ready to exit to start planning, you risk leaving significant money on the table.

The Key Role of Business Valuation

Before any action can be taken, you need to have a clear understanding of your business's value. Whether you're selling to a third party, transferring ownership to family, or executing a management buyout, a

thorough and accurate valuation is the foundation of your exit strategy. Without it, you're essentially guessing when it comes to structuring the sale and managing expectations.

Valuation isn't just about looking at your company's books. It involves assessing your competitive position, growth potential, intellectual property, and more. Harvard Business Review notes that businesses with a well-executed valuation plan often realize 30% to 50% higher sale prices than those without one.

Here are the critical components that affect valuation:

- **Market Conditions:** The broader market will always play a role but knowing how your business compares to similar companies can help you adjust pricing expectations.
- **Operational Risks and Opportunities:** Buyers look for operational efficiency. Streamlining processes and improving margins can increase valuation significantly.
- **Leadership Structure:** A business with a strong leadership team that can operate without the owner will attract higher bids, as it promises continuity and stability.

Estimating Business Value:

Determining the value of a business typically involves examining its financial performance, comparing it to similar companies, and applying standard valuation techniques. Below are three commonly used methods that offer different perspectives on what a business may be worth:

- **Income Approach – Capitalization of Earnings:** This method bases the business's value on its ability to generate future profits. It starts with historical earnings, which are adjusted to remove irregular or non-recurring items, and then applies a capitalization rate to estimate value. The approach assumes that past performance is a good indicator of future results and links profitability directly to overall business worth.
- **Market Approach – Guideline Transaction Method with EBITDA Multiple:** This approach looks at what similar businesses have sold for, particularly focusing on earnings before interest, taxes, depreciation, and amortization (EBITDA). By applying an industry-specific multiple, often influenced by company size and sector trends, to the target company's EBITDA, it estimates a fair market value based on comparable sales.
- **Market Approach – Guideline Transaction Method with Revenue Multiple:** Similar in concept to the EBITDA-based method, this variation uses revenue as the basis for comparison. It applies a multiple derived from comparable company sales within the same industry and size category to the business's revenue, offering an alternate view of value, especially useful when profit figures are volatile or less meaningful.

Common Mistakes That Hurt Business Sales

It's easy to get caught up in the excitement of an exit, but without careful planning, you risk making mistakes that could cost you dearly. Here are some of the most common pitfalls business owners face:

- **Neglecting to Plan for Taxes:** Inadequate tax planning is one of the leading causes of exit failure. A 2020 report from PwC indicated that 70% of business owners fail to factor in the tax impact of selling, which can significantly diminish the final proceeds.
- **Underestimating Business Value:** Many owners don't know the true value of their business until it's time to sell. This can result in selling for less than what the company is worth, or worse, stalling negotiations because expectations were unrealistic.
- **Lack of Coordination Between Advisors:** Business owners often rely on a team of advisors — accountants, lawyers, tax experts — but fail to coordinate their efforts. This fragmentation can lead to missed opportunities, conflicting advice, or mistakes. According to Bain & Company, businesses that align their advisory teams are 30% more likely to have a successful exit.

How We Can Help: The NewEdge Advantage

At NewEdge Wealth, our mission is to help individuals and businesses build and preserve their wealth with confidence. We specialize in guiding entrepreneurs through the complex process of exiting their businesses.

Our team brings together your financial, tax, legal, and business resources into a unified strategy that aims to optimize your sale price and secure your legacy. Our approach includes:

- **Comprehensive Business Valuation Estimate:** We use a detailed model to help you understand the potential value of your business.
- **Strategic Coordination Across Advisors:** We'll manage and coordinate with your advisory team, helping everyone work in sync and stay aligned with your desired outcome.
- **Tax Optimization and Estate Planning:** From identifying ways to reduce tax liabilities to preparing for post-sale wealth management, we craft strategies designed to help you keep as much of the sale proceeds as possible.



Conclusion: The Time to Act is Now

The decision to exit your business is one of the most important ones you will ever make. It's a life-changing moment that requires careful planning and expert guidance. When you're ready to take the next step, you need a team that not only understands the complexities of business transitions but also brings the experience, insight, and wealth strategy expertise to guide you through a successful exit and support your long-term financial goals.

At NewEdge Wealth, we have the expertise to help you prepare for a smooth and successful exit. From business valuation to tax planning, we will guide you through every aspect of the process and help you achieve your financial goals. Early planning is key—a delayed exit strategy can come at a high cost.

Let's Talk

Let's work together to turn your future into the life you've always imagined. Contact me today to begin developing a comprehensive transition plan for your business.

For more information, visit newedgewealth.com



Paul Emrick's Bio

Paul Emrick is a trusted advisor specializing in holistic wealth strategy, with over 30 years of experience and more than \$500 million in assets under management.

As the Principal at NewEdge Wealth, he helps affluent individuals, business owners, and families navigate complex financial transitions, including business exit planning, multi-generational wealth strategies, and tax optimization.

He holds the Certified Exit Planning Advisor (CEPA®), Certified Financial Planner (CFP®), Certified Investment Management Analyst (CIMA®), and Accredited Investment Fiduciary (AIF®) designations, demonstrating his commitment to lifelong learning and sophisticated strategies.

Paul is also the Chairman of the Endowment and Pension Investment Committee at Good Shepherd Rehabilitation Network, where he brings institutional-level expertise to private clients.



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