

FOR EXECUTIVES SEEKING TO BUY, SELL, OR RECAPITALIZE BUSINESSES

2009: Exit Planning For The Year Ahead

2008 is over! That is a welcome relief for many business owners. After several years of solid growth, 2008 has been a harsh year for business executives. Empirical evidence suggests that a vast majority of businesses have seen their revenues stagnate or decline in 2008.

For Business owners who were planning to retire or cash out of their business for other reasons, 2008 was tough. Business was soft, credit was hard to come by, and liquidity levels were low. All of these translated into a very negative environment for deal making especially in the housing, construction and retail industries. Business owners who had their businesses on the market saw less than stellar business valuations and, in most cases, found that their deals did not close as planned. Several other business owners who were planning on exiting held back - unwilling to face a reduced valuation and hoping things would be a bit better in the not so distant future.

As we look into 2009, it appears that while we have not seen the bottom in the US economy, California economy may be a step ahead. While widespread economic growth is not imminent, it appears that we have seen the bottom. Does this mean business owners should wait for the growth to return and delay their exit/recapitalization decisions until late 2009 or 2010? Not necessarily!

When evaluating the consequences of environmental trends on the business sale/recapitalization process, it is useful to keep in mind that the business sale/recapitalization process for a mid market business can take about 12 months. Most acquirers/investors look carefully at business performance as they navigate through the deal process and positive trends along the way can be helpful in closing a deal and in getting the terms sought by the shareholders.

Here are some key factors business owners need to take into account while planning exit/recapitalization strategies this year:

- **Economy:** While widespread growth is not imminent, several segments of the market are starting to pick up. Most construction related businesses continue to be in the doldrums, but the prognosis for several other business categories is getting positive. Based on the commentary we are hearing from industry sources, it seems likely that most businesses will see a better 2009 than what they saw in 2008. This positive trend can be beneficial to companies and shareholders with near term plans to exit or to recapitalize their businesses.

