WHAT AN EXIT IS, AND WHY TO PLAN EARLY

Every owner leaves their business one day. Planning early means you leave on your terms, with the value you built.

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AT A GLANCE

- An **exit** is how an owner leaves the business and turns its value into money or a new role: selling it, passing it on, merging, or stepping back.
- The best exits are planned **3 to 5 years ahead**. The things that make a business sellable also make it better to run.
- Investors care about exits too, because that's usually how they get their money back.

Why it matters

Many owners never plan an exit. Then illness, burnout, a family change or an unexpected offer forces a rushed decision, often at a much lower price. A business that's ready to sell gives you choices, whether or not you ever sell.

What makes a business valuable to a buyer

Buyers pay more for...	Buyers pay less for...
Steady, growing profit	Uneven or falling profit
Clean, reliable books	Messy or missing records
A team that runs it without the owner	Everything depends on the owner
Many customers, recurring revenue	One or two big customers
Written systems	Knowledge only in the owner's head
Signed contracts and a solid lease	Handshake deals and a short lease
A clear plan for growth	No clear future

Start now, even if you'll never sell

1. **Decide what you want** eventually: sell, pass it on, keep it with a manager, or something else. See **X-02 Your Exit Options: Sell, Merge, Pass Down or Keep**.
2. **Keep clean books** every month. See **M-14 Monthly Money Checklist**.
3. **Build systems and a team** so the business can run without you. See **O-06 Systems and Checklists: Running the Business Without Doing Everything Yourself** and **G-09 Building a Leadership Team**.
4. **Reduce risk**: more customers, contracts in writing, a good lease.
5. **Know roughly what it's worth.** See **X-03 How Businesses Are Valued When They're Sold**.
6. **Plan for the unexpected**: who runs the business if you're sick? Do you have a buy-sell agreement with partners? See **B-11 Operating Agreements and Bylaws Explained**.

> EXAMPLE
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> At 45, **Joseph** started planning to sell his auto-repair shop around age 55. He moved from cash records to monthly reviewed books, trained a shop manager, signed a 10-year lease with renewal options, and built a fleet-service contract business. When a regional chain offered to buy ten years later, his business sold for far more than similar shops, because it ran smoothly without him.

Common mistakes

- **Waiting until you're ready to leave.**
- **Assuming family will take over** without asking them.
- **Not knowing what the business is worth.**
- **Being the business.** If you are the business, there's little to sell.

Your checklist

- ☐ Write down when and how you might want to exit
- ☐ Score your business on the table above
- ☐ Pick one improvement to start this quarter
- ☐ Make sure partners have a written buy-sell plan

Where to go next

- **X-02 Your Exit Options: Sell, Merge, Pass Down or Keep**
- **X-04 Getting Your Business Ready to Sell**
- **X-12 Exit Readiness Checklist**

IMPORTANT
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