



10 STEPS EVERY COMPANY SHOULD TAKE NOW TO PREPARE FOR TRANSITION

(Even if transition is years away)

courtesy of Robert McCormack, Murphy McCormack Capital Advisors

1. Obtain a Business Valuation

Start with Fair Market Value and a hypothetical buyer

2. Make the Owner Expendable

Are you key to revenue generation? Establish a plan to develop others or hire others to diversify

3. Prepare Quality Financial Reporting

Hire experienced CPA who understands business transitions, taxes and has credibility with financial institutions

4. Tighten Up Internal Reporting

Develop an internal scorecard with key performance indicators, such as EBITDA, EBIT, Gross Profit Margins, EBITDA margins

5. Articulate a Growth Strategy

Buyers use historical performance to buy the opportunity for the future

6. Reduce Customer Concentrations

Diversify revenue among customers. One or two customers accounting for 40% of revenue is significant risk

7. Know Your Working Capital

Working capital is the lifeblood of the cash flow of the company

8. Review Capital Expenditures

Be careful of the tax tail wagging the dog

9. Make a Great First Impression

Well-organized facility is indicative of an effective management team and efficient overall operation

10. Gather a Quality Advisory Team

Build a deal team in advance. It may include: Corporate Attorney, M&A Attorney, Certified Public Accountant, M&A Certified Public Accountant, Investment Banker, Wealth Planning Advisor, Valuation firm

Are you curious about the current value of your business if you wanted to (or had to) sell or transition the company today? **Book a call** to discover how Compass Point can help you transition successfully - on your terms.