

Orion Capital Group Survey Reveals Baby Boomer Entrepreneurs are Motivated to Exit Their Businesses, but Confused about Options

Menlo Park, CA
September 9, 2008

Despite confusion about exit strategies, 47 percent of middle-market business owners 55 years and older are interested in selling their businesses within three years, and yet over 90 percent of business owners have not initiated the planning process, according to a survey released today by leading middle market advisory firm Orion Capital Group. 71 percent of those surveyed indicated they would sell their business to a third party, but only 9 percent indicated they wanted to transfer their business to family members.

“It is striking that a vast majority of owners prefer to sell to third parties, but only one in ten have initiated the planning process,” said Neil Shroff, managing director for Orion Capital Group. “Owners of privately-held businesses have many options, whether they want family members or employees to continue the business, or whether they prefer a sale. However, by waiting until the last minute to make a decision, many business owners unintentionally eliminate some of their best opportunities.” The survey revealed that a lack of knowledge about available resources accounted for 39 percent of those without exit plans, and a lack of time accounted for another 27 percent. Shroff said “Many buyers prefer that the owner continue to work anywhere from one to five years after the sale to smoothen the transition. If an owner waits to sell until he no longer wants to be involved with the business, the buyer will usually reduce the price to account for the riskier transition. Early planning alleviates this risk.”

The Orion Capital Group survey underscores the importance of synchronizing the efforts of CPAs, attorneys, and financial advisors well in advance of an exit. However, an astounding 77 percent of business owners were unaware that exit-planning professionals exist. “Your financial planner holds a piece to the puzzle, as do your attorneys, CPA’s and tax specialists. Exit planners and intermediaries fit the pieces into the context of a comprehensive plan that they help manage and execute,” Shroff remarked. “Start a dialogue with an intermediary. An early dialogue is not a commitment to sell, but it’s very important for business owners to understand what they can and should do while they are still able to implement those strategies.”

While many business owners are eager to sell, Shroff said the survey revealed that taxes and legal fees were major concerns of owners contemplating all types of exits. Over 23 percent said that the amount of tax and legal fees involved in the sales process was the most important factor in deciding to sell. “Again, careful planning is important. The transactions where legal fees and taxes are typically highest is when the planning begins immediately before the exit, and at that point it is simply too late to engage in effective tax planning,” Shroff explained. “With an election approaching, and many tax cuts set to expire, it is especially important for business owners to educate themselves about their options.”

Business owners who are waiting to sell cited many reasons, with 19 percent citing market conditions, and 24 percent indicating they were waiting to build profits. “Timing can be everything,” Shroff

commented. “We’re seeing increased interest from strategic buyers who were previously priced out by private equity groups that relied heavily on credit. Good deals are continuing to get done, and the deal volume in many industries is increasing. The important point is that business owners should have a plan so that they can act quickly when an opportunity arises.”

Bain Surveying, Inc conducted the survey, which polled over 350 business owners across the United States aged 55 and over. Businesses polled had annual sales between \$5 and \$76 million. An interactive version of the survey is available at Orion Capital Group’s website (www.orioncg.com) where business owners can compare their results to those surveyed.

About Orion Capital Group, LLC:

Orion Capital Group is a Silicon Valley- based Merger and Acquisition (M&A) advisory and business brokerage firm focused on selling businesses with annual revenues between \$3 million and \$50 million. It provides high-caliber services at reasonable prices for businesses too large for business brokers and too small for investment banks. A world-class location, professionals whose commitment to clients is unparalleled, and its stellar results make Orion Capital Group the natural choice when selling a business. To receive free tips and tools, or to learn more visit www.orioncg.com, email info@orioncg.com or call (650) 752-4784.

Key Words: exit planning, California, investment banker, merger and acquisition, sell a business, strategic value, Baby boomer, business broker, business valuation, exit plan, exit planner, earn-out, M&A