

CT Business Owners
EXIT PLANNING
Survey



ZANGARI COHN CUTHBERTSON P.C.
Attorneys At Law



BUSINESS SALES
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CT Business Owners EXIT PLANNING Survey

Executive Summary

Members of the Baby Boom Generation, which comprises an age demographic between 56 and 71 years old, own 8 million businesses nationwide. The leading edge of this group of business owners are already exiting their businesses. As this generation ages, the market for business sales over the next 10 to 15 years will be comprised of more sellers than buyers which will have a significant impact on valuations. Owners that clearly understand how to prepare for an exit will be better off than those that do not.

The Connecticut Business Owners Exit Planning Survey was created to establish owner readiness and sentiment for selling a business in Connecticut. VR Business Sales - Mergers & Acquisitions, Marcum Accountants & Advisors and the law firm of Zangari Cohn Cuthbertson teamed up to conduct this survey because of our and our clients' interest in issues related to exit planning with the belief that we need to quantify the challenges ahead for business owners as the population ages.

The market surveyed included owners with businesses whose revenues were under \$30 million, located in Connecticut, and operated in a full range of market segments with exception of the hospitality and retail sectors (the full range of SIC codes surveyed is available upon request.) This is the first edition of the survey which we intend to update quarterly.

Key Findings from Research:

- Connecticut owners are optimistic about selling and exiting businesses.
- The majority of owners selling within 5 years are not prepared to transition or sell their business.
- Connecticut has an active transaction market for buying and selling businesses, somewhat favorable to buyers.

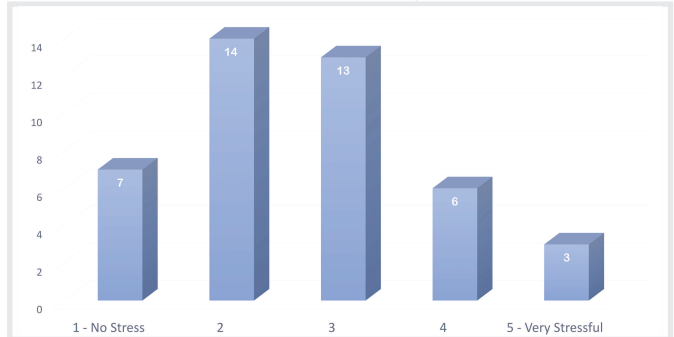
“Business owners are not adequately prepared to transition or sell their business.”

Start preparing. Contact your accountant, lawyer or business intermediary.

Sentiments Among Business Owners Are Positive

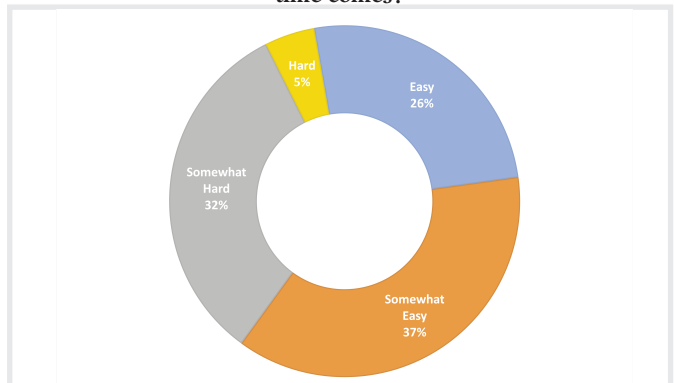
The average level of stress for business owners in regards to selling their business is 2.6 on a scale of 1 (No Stress) to 5 (Very Stressful).

Stress Level of Owners When Thinking About Sale of Business



Overall, business owners do not believe it will be hard to exit their business:

How difficult will it be for you to exit your business when the time comes?



The majority of owners believe it will be fairly easy to exit their business. The top two reasons are:

1. “I believe it will be easy for me to let the business go.”
2. “I believe I can easily find a suitable buyer.”

Among those who believe it will be at least somewhat hard to exit their business, the top two reasons are:

1. “I believe it will be difficult to find a suitable buyer.”
2. “I haven’t planned my exit yet, so I am very unsure of how it will go.”

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Are Owners Retiring in the Next 5 Years Ready?

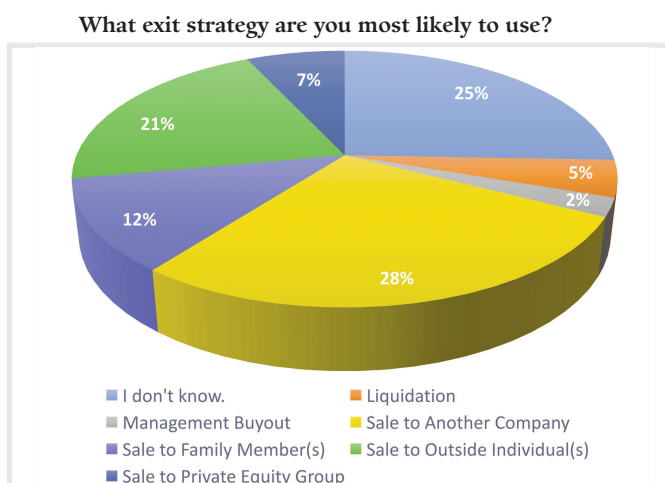
Sixty Percent of the survey respondents plan to retire in the next 5 years. The majority of owners in this category plan to exit via sale to another company or an outside individual. However, most do not have an exit plan. Ideally, companies are prepared for sale over the course of a few years to optimize sale price.



Based upon results, business owners are not adequately prepared to transition or sell their business. However, concerns and stress associated with an exit are relatively low as owners remain optimistic about market conditions.

Exit Strategy

A quarter of respondents did not know what exit strategy they would most likely use. Other popular responses included sale to an outside individual or sale to another company.



Connecticut Business Market

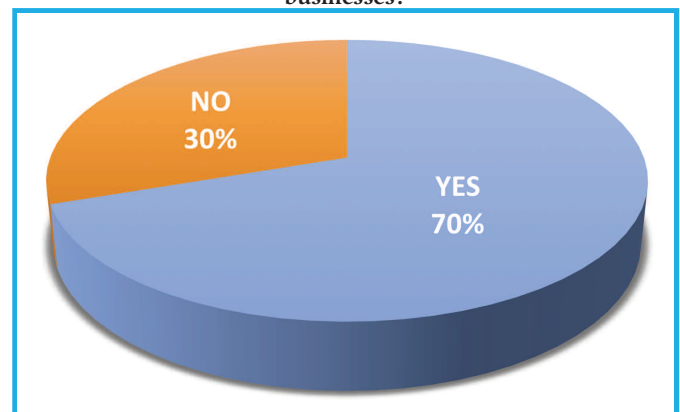
The majority of owners feel Connecticut has an active transaction market, which is favorable to buyers. These results mirror opinions among transaction professionals, who expect an increasing number of sellers to continue entering the market. This will create a competitive market favorable to buyers.

Data from the 2012 Survey of Small Business Owners, a national study performed every four years by the US Census Bureau, reveals those 50 and older owned 45% of businesses with paid employees.

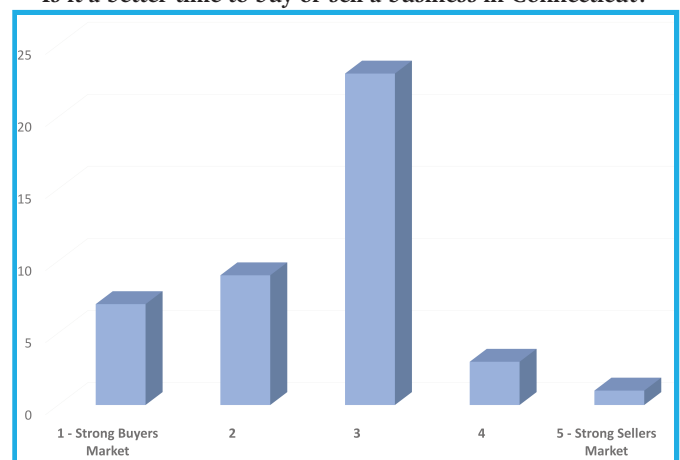
65% of respondents to this survey are CT business owners who are 55 or older.

With baby boomers reaching retirement age, the rate of business sales transactions is anticipated to continue to increase over the next 10 years.

Is there an active market in Connecticut for buying and selling businesses?



Is it a better time to buy or sell a business in Connecticut?



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VR Business Sales New Haven represents owners of businesses valued between \$500,000 and \$25 million or with annual revenues from \$1 million to \$30 million. Operating within a wide range of industry segments, the office provides exceptional merger and acquisition advisory services to companies in Connecticut, Southern New England and Metro NY. Independently owned and operated, the office consistently ranks within the Top 10 of over 50 offices worldwide with the VR franchise network.



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About Marcum Accountants & Advisors

Marcum LLP is one of the largest independent public accounting and advisory service firms in the nation, offering a full spectrum of traditional tax, accounting and assurance services; advisory valuation and litigation support; and an extensive range of specialty and niche industry practices.

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About Zangari Cohn Cuthbertson P.C.

ZCC is a firm of accomplished attorneys providing smart and creative solutions to local, national, and international businesses and their owners since 1946. The firm's legal services includes business transactions, succession and estate planning, family businesses, tax, real estate, employment, and litigation. Benjamin Michaelson is responsible for this content.



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