



CT Business Owners EXIT PLANNING Survey

2018 Year End Report

Project Sponsors

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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.



About Marcum LLP

Marcum LLP is one of the largest independent public accounting and advisory services firms in the nation, with offices in major business markets throughout the U.S., as well as Grand Cayman, China and Ireland. Headquartered in New York City, Marcum provides a full spectrum of traditional tax, accounting and assurance services; advisory, valuation and litigation support; and an extensive range of specialty and rated companies, as well as high net worth individuals, private equity funds and hedge funds, with a focus on middle-market companies and closely held family businesses. Marcum is a member of the Marcum Group, an organization providing a comprehensive array of professional services. For more information, visit www.marcumllp.com.



About Zangari Cohn Cuthbertson Duhl & Grello P.C.

Zangari Cohn is a firm of accomplished attorneys providing smart and creative solutions to local, national, and international businesses and their owners, since 1946. Our attorneys are trusted advisors to business owners as they consider and execute their exit plans, whether they be the sale of a business on the open market, the transition of family business to second, third, and fourth generations and beyond or other exit processes. The firm's legal services includes business transactions, succession and estate planning, family businesses, tax, real estate, employment, labor law, and business related litigation. Benjamin Michaelson is responsible for this content.



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Executive Summary

Exit strategies consist of a variety of ways to transfer business assets; these can range from transferring assets to the next generation in a family business, selling to current management, or selling to a strategic buyer or private equity group. Ideally, companies prepare for a sale as a part of the normal course of managing their business. Good exit planning enables owners to realize a smoother transfer of assets at higher valuations. The Connecticut Business Owners Exit Planning Survey was created to measure how well owners are prepared for an exit and to gauge their sentiment for selling a business in Connecticut.

VR Business Sales - Mergers & Acquisitions, Marcum LLP and the law firm of Zangari Cohn Cuthbertson Duhl & Grello P.C. teamed up to conduct this survey because of the Firms' and their clients' interest in issues related to exit planning, with the belief that it is important to quantify the challenges ahead for business owners as the population ages. The market surveyed included owners of businesses located in Connecticut from various market segments, see Survey Demographics for more information.

Key Findings from the Survey:

- Connecticut has a weakening transaction market, contrary to the nationwide market.
- Sentiment among Connecticut owners regarding exiting their businesses remains somewhat positive.
- The majority of owners selling within the next 5 years do not have an exit plan.

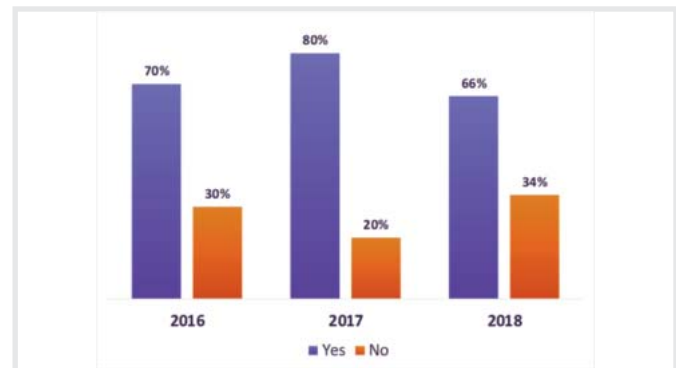
Connecticut Business Market

Transaction Market Heats Up in 2017

Unlike 2017, 2018 data reveals a less active transaction market in Connecticut. This is in sharp contrast to the nationwide transaction market which has had another record breaking year for businesses sales. Across the nation for both the Main Street (valued under \$2MM) and Lower Middle Market (valued between \$2MM-\$50MM), a strong transaction market has been skewing in favor of

CT Market Activity

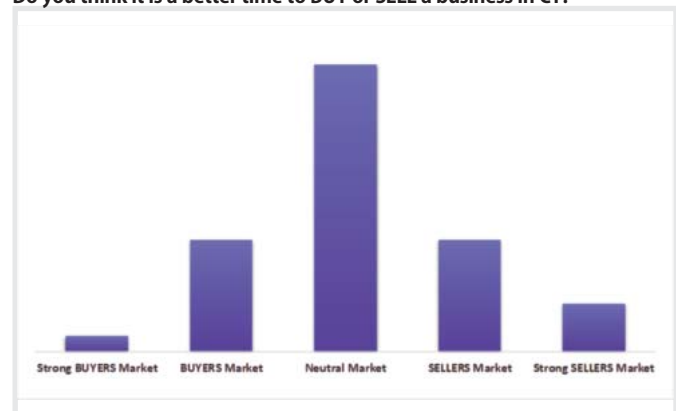
Do you think there an active market in CT for buying and selling business?



Sellers as well as Buyers continue to demonstrate a willingness to pay premium prices for the right opportunities. By contrast, the CT survey shows that sentiment about whether the market favors Sellers or Buyers is neutral. Because of a less active market, Connecticut businesses may have more difficulty selling at premium prices, particularly if market activity continues to decrease in 2019. On the other hand, Connecticut business owners who have prepared for exiting a business with a strategic approach will fare better under these conditions and can still capitalize on the national market activity.

Buyer or Seller Market?

Do you think it is a better time to BUY or SELL a business in CT?



1 BizBuySell. Insights Charts, 2017Q3_Closed_Small_Business_Transactions.png, https://www.bizbuysell.com/news/images/insight_charts/2017Q3_Closed_Small_Business_Transactions.png
https://www.bizbuysell.com/news/media_insight.html

2 United States Census Bureau. Survey of Business Owners (SBO) Survey Results: 2012. <https://census.gov/library/publications/2012/econ/2012-sbo.html>

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Exit Planning

78% of owners planning to sell within 5 years do NOT have an exit plan, and half of respondents don't plan to create one. A quarter of respondents selling within five years did not know how they would exit their business. The top three exit strategies were to sell to another company, an outside individual, or family members.

Company Valuation

Only 56% of owners know the value of their company, of those only a little over half had a formal valuation completed. Owners who did have a formal valuation completed were more likely to be very confident they can sell for that amount.

Sentiment Among Business Owners

Overall, owner sentiment about selling a business remains positive with only 5% believing it will be hard to sell. Of those who responded that the process would be Hard or Somewhat Hard, the most common reason for this was because they thought it would be difficult to let the business go. For those who responded that selling would be Easy or Somewhat Easy, the most common refrain for this sentiment was that they already have interested buyers.

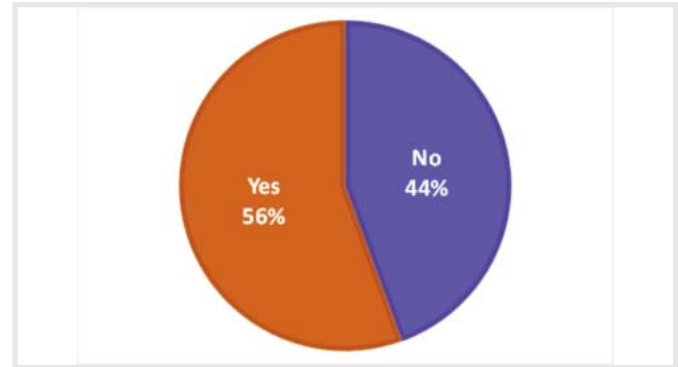
Conclusions

While many CT business owners are focused on developing exit strategies, many more should become actively engaged in the exit planning process. The benefits to doing so include an optimum sale price, better sale terms, a transition more beneficial to employees and a less problematic sale process.

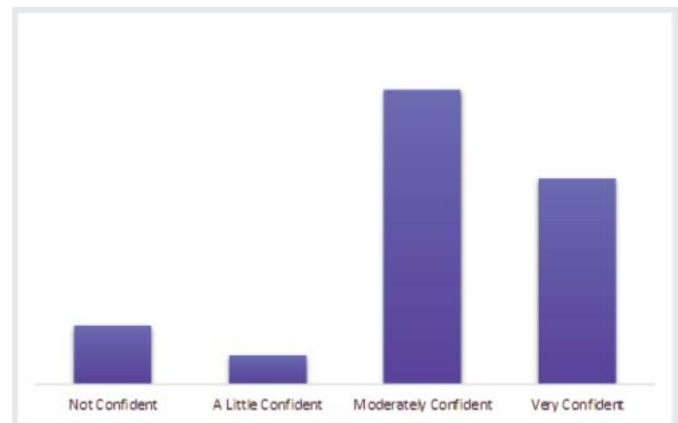
How to Plan

- Request a formal valuation. Don't guess at what your company is worth. If it is not what is desired, then you have time to set a strategic plan to increase value.
- Once you understand your value, then sit with your trusted advisors including your accountant, financial planner and estate attorney to understand what will be available to you in retirement and to the rest of your family.
- Create a written exit plan which includes everything you've agreed upon with your advisors. It will make your transition much easier and less stressful.

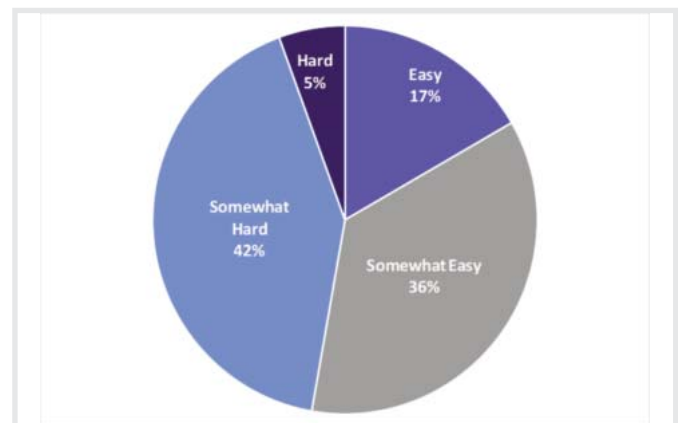
Do you know the value of your business?



How confident are you that you will be able to sell your business?



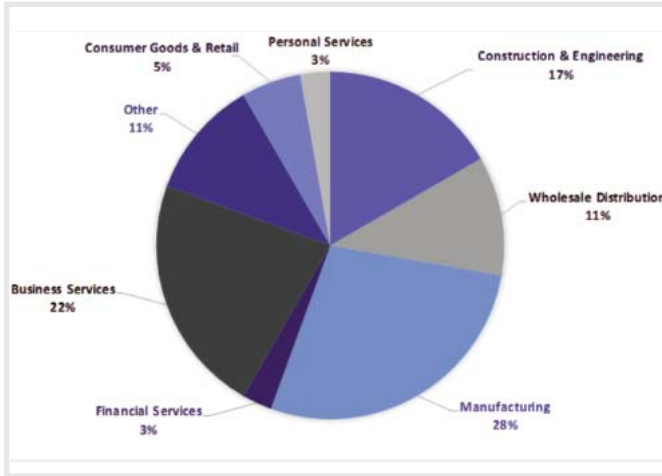
How difficult for you will it be to exit your business when the time comes?



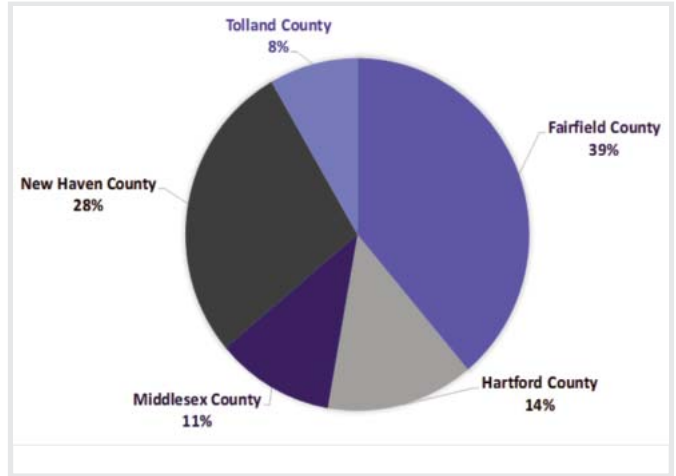
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Appendix: Survey Demographic

Industries



Connecticut Counties



Yearly Gross Revenues

