



ANALYSIS



PREPARED 10/19/2017 FOR: COSMO SPACELY
PRESIDENT, SPACELY SPROCKETS

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This sample is provided for demonstration purposes only.

Some pages have been excluded in order to protect our intellectual property.



WELCOME

This 40 page Analysis contains customized, response by response feedback to your Assessment answers. It is divided into the four business categories. Each category section is organized so that the response with the highest Challenge Index comes first, followed in order according to the urgency and difficulty of improvement efforts.

USING THE EXITMAP

As the name implies, The ExitMap is a direction finder for successful transitions. An exit strategy requires financial, operational, legal and tax planning, but first it requires a company that can support the plan. The ExitMap is not intended to replace the professional knowledge of advisors, but rather to assist them in developing a broader, more comprehensive view of your business outside of any single professional's own area of expertise.

Your advisor will choose which areas to debrief first, based upon priorities, impact and his or her area of specific expertise. Implementing all, or even most of the suggestions in this Analysis will likely require the assistance of several professionals. As an ExitMap Affiliate, you advisor has committed to consulting in a team environment.

Begin your journey to increased value and control over your transition with an initial debriefing, but with the understanding that maximizing the return from one of the biggest financial events of a lifetime will require more than a few discussions.

THE ANALYSIS RESULTS

Your transition readiness is categorized by four key areas which are carried forward from the Assessment to a more detailed break down in the Analysis.

Finance: The current state of preparedness in understanding business value and tax issues.

Planning: Current progress in preparing successors, emergency plans and a post-ownership vision.

Revenue/Profit: A look at how business trends will appear to potential buyers and lenders.

Operations: The preparedness of your client's employees, systems and processes for new leadership.

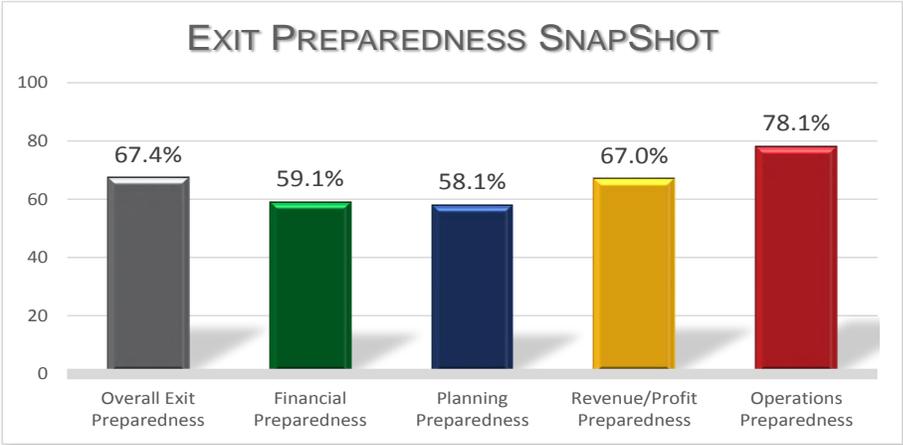
Each functional category shows an overall preparedness score, as well as an estimate of the urgency and difficulty levels of needed improvement. Urgency factors are heavily influenced by the time frames to exit that you selected in the Assessment. Difficulty factors reflect the complexity of change, or the challenge of developing capabilities that currently don't exist.

OVERALL EXIT PREPAREDNESS

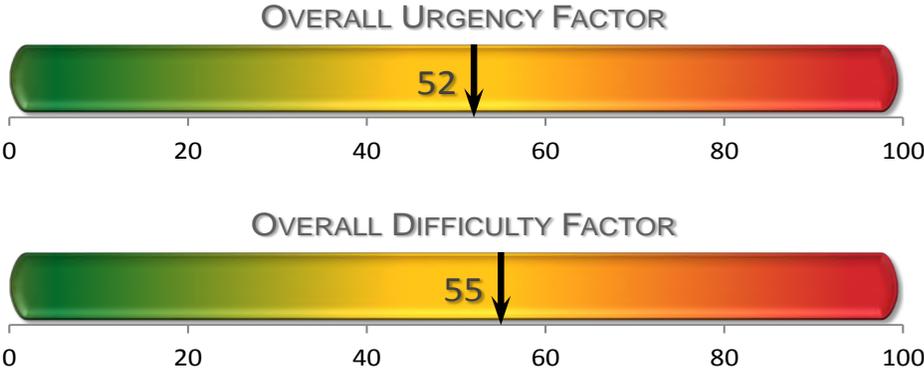


Your ExitMap Preparedness Score is 67.398%.

Your Assessment score indicates that you have at least several areas of functional accomplishment that are ready, or nearly ready, for a successful transition. Consider developing a timeline between your current personal liquidity, the amount you need after a transition, and the required proceeds to be realized from your equity in the business at the time you leave.



EXITMAP CHALLENGE INDEX:





EXITMAP TIME FRAME QUESTIONS: (MODIFIERS)

These are your responses to the modifier questions regarding your schedule for exit. The first, stepping back from day-to-day responsibilities, modifies the difficulty rankings for management development issues. The second, your time frame for complete departure from the company, modifies the urgency rankings for planning responses.

Modifier 1

Q: I would like to step back from day to day management of my business:

A: In 3-5 years.

Modifier 2

Q: I would like to walk away from my business completely:

A: In 5 years or more.



PLANNING QUESTIONS OVERVIEW:

To quote Stephen Covey, "Begin with the end in mind." More prosaically from the Cheshire Cat, "If you don't know where you are going, any road will get you there." Too many business owners are unprepared for the time, effort, and distraction of a sale transaction. Whether you sell on the open market or pass the business on to insiders, a successful (full market value) transfer requires advance consideration of target buyers, advisors and life after the sale.

BUYERS:

Misinformation regarding the value of a small company is ubiquitous. Colleagues, consultants and professionals who have little background in business transactions are too quick to proclaim "standard" valuations. "All companies in your industry sell for about..." is simply untrue. All companies sell based on their profitability and cash flow, and purchase price multiples vary widely by the type of buyer you attract.

ADVISORS:

The structure of an external sale is largely negotiated around tax implications for both buyer and seller. For an internal sale, the price of equity and financing terms are arranged to minimize taxes. Tax planning may include Non-Qualified Deferred Compensation (NQDC), trusts, charitable bequests, installment payments, discounted equity and other tactics driven largely by the current tax code.

POST-SALE PERSONAL PLANNING:

A number of databases exist that track business profitability and sale prices by industry and size of company. This information is sold on a subscription basis to banks, accountants, business brokers and investors. A smart buyer will research this information before making an offer.

PLANNING PREPAREDNESS



Your ExitMap Planning Preparedness Score is 58.136%.

Planning is at the core of any transition process. Regardless of how much you currently plan for business operations, the biggest financial event of a lifetime warrants careful thought and preparation. Planning preparation scores are derived from your answers regarding timing, objectives, and your post-exit vision for yourself and your company. You've put some thought into how an exit might work, but it is time to start gathering facts and making more substantive plans.

EXITMAP CHALLENGE INDEX:



If you have a number in mind, make certain that you are considering the post-tax proceeds. Some owners make an assumption of proceeds for retirement, and conveniently forget that the IRS may take up to 50% of it. If you are still central to your daily operations, there is a serious issue with developing management in time for a lucrative exit. Developing a Personal Vision for life after the sale takes some thought, but it is critical to any successful transition. Employees seldom have a comprehensive picture of how to maintain value without you. Discussing it enhances everyone's security. Preparing your company for a successful sale requires complete documentation of all systems and processes.



Exit timing is a major issue, regardless of your health. You should have a practical plan already in place. An outside, objective valuation is one of the foundation stones of any rational plan. You should consider addressing this basic starting point immediately. Business owners who can't see past their last day of work are seldom successful sellers. Start writing down what your life will look like in its next iteration. A fire sale brings little value. Consider documenting a rational approach to a sale with a list of targeted, qualified buyers. A third party sale is a one to three year process, assuming that you have your value drivers in place before starting.



Planning Question 1

Q: In the event of my sudden absence from the business, my documented contingency plan for operations includes:

A: We do not have a documented contingency plan.

Urgency Weight: 5 | Difficulty Weight: 4

Baby Boomers make up 25% of the U.S. population, yet own 60% of its businesses.

Your family and employees deserve a rational, documented plan in the event of your misfortune. Employees seldom have a comprehensive picture of how to maintain value without you. Discussing it enhances everyone's security.

Having a plan for emergencies is not just a good idea, it is required by many lenders, insurers, and major vendors. The urgency of your response is ranked very high because clearly some of the events that would require implementing a plan for your absence can come literally without warning.

Risk management to preserve the value of the business in your absence can and should be a multipronged approach. Relatively inexpensive term insurance can secure a lump sum payment for either the company (to hire a replacement for you) or directly to your heirs. More complex insurance instruments can balance the cost of coverage between the business and your family, and give tax advantaged treatment to any payout.

Client Notes:

Tool Box:



Help the owner write a letter whose envelope would be titled "If the plane goes down" in which his or her family is instructed as to the long-term desires for decision-making, treatment of the employees, and eventual disposal of the business.

EXITMAP TOOL BOX REFERENCE

The ExitMap Analysis includes a number of Tool Box recommendations. We have included descriptions of effective functional tools that you can use with your client. These are simple spreadsheets, checklists and suggestions for establishing subsidiary plans that address specific areas.

ExitMap Affiliates are committed to working in a collegiate environment. If you create a new tool, or improve on one that has already been released (periodically announced to Affiliates), please share it on the Affiliate Forum at www.ExitMap.com for others to use or improve.

Due Diligence Tool:

Action Checklist: Make a list of documents and processes that may be requested by a buyer.

Finance Tools:



Sellers Discretionary Earnings: List all expenses and benefits realized from the business.

Net Proceeds: Model various pricing and buyer scenarios, and the impact of taxes on sale price.

Market Value: Compare the differences in pricing between individual and investment purchasers.

Industry Comparison:

Compare the company's performance to the overall performance of the industry.

Risk Assessment:

Examine how responsibilities, cash flow and income will be addressed in the client's absence.

Planning Tools:



Post Exit Statement: Write a statement describing the client's life after exiting.

Professional Advisors: List the client's professional advisors and their exit planning qualifications.

Triangulation:

Reconcile the financial status, distance to the goal and anticipated transition timeframe.

Buyer Match:

List the selling features and weaknesses that might impact the attractiveness of the business.

Generational Suitability:

Analyze the features of the business as viewed by potential acquirers of different ages.

Revenue/Profit Tools:



Customer Sales Analysis: Create a historical report of company sales organized by customer.

Power of One: Provide insight on ways to improve the client's bottom line.

Growth Curve:

Compare the growth rate to what will be required to reach the client's financial objectives.

Competitive Strengths Analysis:

Identify the differentiation factors of the company and ways they may be improved.

Operations Tools:



Owner-Centric Scoring: Prioritize the key areas of management development.

Process Documentation Matrix: Verify the completeness of the operational documentation.

Employee Deferred Compensation:

Establish incentives for tenured employees following an ownership transition.

Key Employee Retention Incentives:

Define the level of responsibilities and appropriate compensation systems for key employees.

"If the Plane Goes Down":

Build written instructions of actions required should the client become incapacitated.

Technology Capital Cycle:

Analyze the life cycle of company owned technology (hardware and software).



KEY AREAS



Finance



Planning

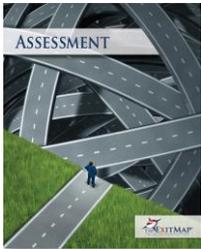


Revenue



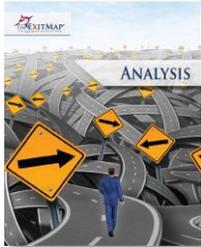
Operations

THE EXITMAP PROCESS



THE ASSESSMENT:

The ExitMap Assessment provides a Custom Summary Report on the readiness of an owner and company for succession implementation, focusing on four key areas: finance, planning, profit/revenue and operations.



THE ANALYSIS:

Your advisor has received the ExitMap Analysis to share with you at your debriefing. The Analysis is a 40 page report with specific feedback on each of your responses. It provides your advisor with a comprehensive look at the business beyond his or her specific area of professional expertise, so that no area of potential value enhancement is ignored.

Any transition, whether to family, employees or via a sale to a third party, will maximize your returns with planning and preparation. The ExitMap Analysis includes a ToolBox suggestion for each of your responses. ToolBox ideas are practical process improvement and tracking techniques that can be implemented for each area of your business.

Every tool that you complete benefits not only your plan toward exiting, but also provides valuable documentation for any potential acquirer.



THE DEBRIEFING:

Setting up a meeting with your Advisor to review the Assessment and Analysis is a critical step in the ExitMap process. Professional Advisors use the ExitMap tools to identify areas with the greatest impact on the value and transferability of your business. They are committed helping owners transition their businesses on their own terms, in their own time, and with the highest return achievable. Just a few years advance planning can have a dramatic effect and radically change your lifestyle in retirement.