

What are your options?

You've spent years of your life building your business, and now you've decided it's time to step back. You have many options open to you. Below are seven of the most common exit strategies for business owners and the different transaction, business continuity, and cultural considerations for each.

Action	Explanation	Considerations
Sell to: Strategic Buyer	Sell to another company in your industry, who will seek to realize synergies by combining or running the companies together	Transaction <ul style="list-style-type: none"> • Buyer may pay a premium • Likely all-cash purchase • Often more bureaucracy in approvals, which can create uncertainty at closing • Non-compete expected • Exposure to competitors during diligence process
		Continuity <ul style="list-style-type: none"> • Potential for losing employees in a merger • Risk of losing seller's legacy if the company is merged or folded into the acquiring company
		Culture <ul style="list-style-type: none"> • Potential for cultural conflict with acquiring company • Acquiring company has familiarity with industry
Sell to: Management	Sell directly to senior management currently employed by your company	Transaction <ul style="list-style-type: none"> • May not maximize valuation • Likely less cash available at close of sale • Simplified due diligence • Dependent upon management ability to fund up-front capital need
		Continuity <ul style="list-style-type: none"> • Continuity of operations and management • Buyers have the most direct business knowledge
		Culture <ul style="list-style-type: none"> • Established trust among seller and buyer(s)
Sell to: Financial Buyer	Sell to a private equity or other financial firm who will work to grow the business over time	Transaction <ul style="list-style-type: none"> • Valuation can be financially compelling • Lump sum available to seller at closing • Non-compete expected
		Continuity <ul style="list-style-type: none"> • Ability to retain a portion of equity and the possibility of a second liquidity event • More likely to keep existing team intact • Ability to allow management to co-invest • May require a management succession plan to be in place • Buyer more likely to seek their own exit in 5-10 years
		Culture <ul style="list-style-type: none"> • Depending on buyer, can have familiarity with industry and growing similar businesses

*Note: This chart is meant to provide an overview of exit options, and should not be construed as tax or legal advice. Please consult your advisors for information specific to your situation.

Exiting Your Business

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Employee Stock Ownership Plan (“ESOP”)	Establish an ESOP trust to purchase and hold the company’s stock for the benefit of the company’s employees	<p>Transaction</p> <ul style="list-style-type: none"> • Unlikely to maximize value to seller • Tax advantages available for the company <p>Continuity</p> <ul style="list-style-type: none"> • Valuable benefit to employees • Continuity of operations and management • Flexibility in terms of timing and amount of interest sold • Ongoing administrative and compliance costs to company <p>Culture</p> <ul style="list-style-type: none"> • Requires a strong management team to already be in place
Initial Public Offering (“IPO”)	Sell ownership via listing on a public stock exchange	<p>Transaction</p> <ul style="list-style-type: none"> • Expensive transaction and ongoing compliance • Requires sufficient scale • Likely less liquidity at closing • Rigorous planning and documentation required for years prior • Previously confidential information available to competitors <p>Culture</p> <ul style="list-style-type: none"> • Unlikely for majority of companies • Public attention focused on founder • Ongoing regulations and public filing requirements post-IPO
Transition from CEO to Shareholder	Retain ownership in the company, but hire someone else (such as a family member) to serve as CEO and oversee day-to-day operations	<p>Transaction</p> <ul style="list-style-type: none"> • No liquidity event • Owner may need to continue to support company with capital • Lack of estate planning flexibility • Can create compensation structure to incentivize new CEO <p>Continuity</p> <ul style="list-style-type: none"> • Retain ownership and income • Other exit options may still be available at a later date • Continuity of operations and management <p>Culture</p> <ul style="list-style-type: none"> • Free up owner’s time to enjoy retirement • Still tied to company mentally and financially
Liquidate	Sell the company’s assets and discontinue operations	<p>Transaction</p> <ul style="list-style-type: none"> • Minimal negotiation required • Likely quickest option • Much lower proceeds (only receive the market value of assets and don’t receive going concern value) <p>Continuity</p> <ul style="list-style-type: none"> • Employees will be out of a job • Legacy of seller will be discontinued

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