

Exit Planning Guide & Assessment

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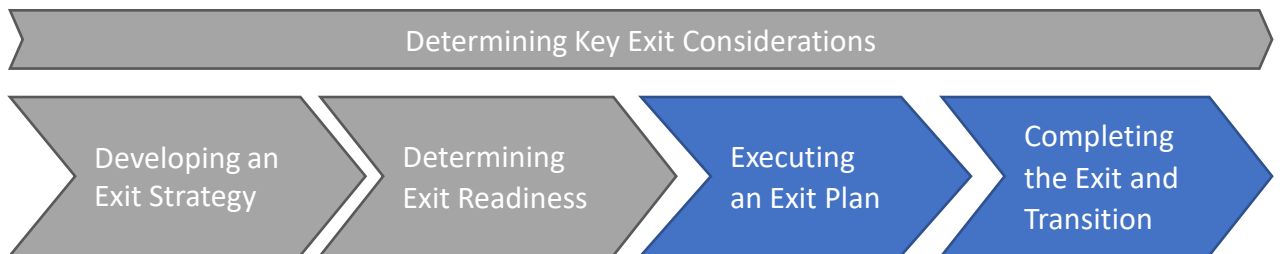


Introduction

The following guide and assessment is designed to support working shareholders in privately owned businesses prepare and design a planned exit.

Our recommendation is that most businesses need 24 to 36 months in order to prepare and maximise the exit value within their businesses.

This guide focuses on the three key elements in designing an effective execution plan to be used in the above timeframe to also assess progress



Determining Key Exit Considerations:

You have developed and documented key exit considerations that all shareholders are aligned to that include the following items in the table below. Take time to work through each of the items acknowledging whether each is completed, or whether some progress has been made, or no if the item has not been started.

Item	Yes	Made Progress	No
Estimated and agreed valuation requirements and timeframes including any variances for different participating shareholder interests.			
A complete review of the business including operational, financial and governance performance has been conducted.			
A current independent valuation of the business has been commissioned and reviewed.			
All potential exit options have been reviewed, discussed and prioritised as to timing and value achievement. You have considered of all your exit options and optimum deal structure and weighed the pros and cons of each in relation to your stated goals and objectives.			
An exit strategy document has been developed with priorities, milestones and timeframes, action plans including metrics and reporting.			
An execution plan has been developed in achieving the exit strategy, including engaging relevant people and expertise.			
Your personal, financial and business goals are aligned meaning they are defined, co-dependent, and linked to the Exit Strategy, and you have discussed these with your spouse, partner, or family.			
You have developed a post transition plan that includes, timing, re-investment and personal priorities and future working options and engagement if applicable.			
You have created a contingency or emergency succession plan which should include buy-sell instructions, appropriate insurance, and specifies what should happen if before you transition something was to happen outside of your control that would prevent you from operating your business or unwillingly force you to transition.			
You have created an advisory team which includes at minimum: a lawyer; accountant, wealth or financial advisor; exit advisor; spouse or partner or other family who is a "significant other" in your life.			
You have reviewed this plan with your trusted advisors including family members and/or partners if applicable and they know how to access it.			

After reviewing the key exit considerations and your answers, please take the time to outline the agreed actions required to complete any outstanding items.

Agreed Action	Who is involved	Completion Date

In developing your exit strategy you have reviewed, agreed and documented the following items following on from your exit considerations. This section is broken down into three parts, including establishing your value proposition, enhancing the proposition and closing the gap.

1. Establishing your Value Proposition

Item	Yes	Made Progress	No
<p>Shape the story</p> <p>You have developed an investor pitch as to the value proposition of the business investment, where the market opportunities exist including further development or investment and projected returns.</p>			
<p>Robust Financial performance</p> <p>You have developed supporting financial results as to past performance to support the story and financial models that correlate to the market opportunities and further development and investment.</p>			
<p>Clear Market opportunity</p> <p>You have compiled reliable market activity, feedback, data and analysis to support the investor pitch, market opportunities and your rationale around future investment and projected returns.</p>			
<p>Defining buyer universe</p> <p>You have mapped out the potential investors for the business including outlining the appropriate value propositions that exist for each. This includes how each would likely value the business and the propositions.</p>			
<p>Right Management in place</p> <p>You have completed a bio on each of the senior management team including strengths, weaknesses, projects and execution plans. You have outlined any incentive programs that exist for each of the senior team. Your plan includes a analysis of any key man risks including from any exiting working shareholders and what any new investor would need to replace including skills and or key business relationships.</p>			

2. Enhancing your Value Proposition

Item	Yes	Made Progress	No
<p>Exit Positioning</p> <p>You have developed positioning as to the ideal investor and as to what and how they would add value to either open access, or accelerate or resource the existing business opportunities and strategy.</p>			
<p>Business Plan Presentation</p> <p>You have developed and documented the company strategies and supporting business plans including progress made and current and future associated goals to each. Ideally this should also include a current execution plan that the senior management team is actively engaged and measured on.</p>			
<p>Business Improvement / Performance Management</p> <p>You have analysed all areas of the business, have completed a gap analysis and have outlined a robust action plan for improvement including metrics and timeframes.</p>			
<p>Balance Sheet Management</p> <p>You have identified key balance sheet items and have outlined review processes and controls to manage these items accordingly within documented policy statements.</p>			
<p>Capex Planning</p> <p>You have completed a three year capex strategy including identifying key risks and opportunities within your asset base, prioritised investment needs with robust costings and alternative options and decisions. Your annual capex plan includes what decisions have been made and how they will be funded.</p>			
<p>Operations</p> <p>You have developed an operational plan that includes analysis on key performance areas, from sales to purchasing, identifying key areas of risk, opportunities for improvement, key performance indicators and action plans including metrics and timeframes.</p>			

<p>Technology performance</p> <p>You have completed a technology review that includes analysis around ongoing costs, risks and future investment needs. This may include any business cases for major upgrades and covers everything from CRM and ERP platforms to Security and IT protocols.</p>			
<p>Robust Divestment Program</p> <p>You have a review process and documented program that includes divestment from products and customers to stock, assets and business activities to ensure the business is fit for purpose and performing at a high level.</p>			

3. Closing the Gap

Item	Yes	Made Progress	No
<p>Financial Performance</p> <p>You have identified what financial performance goals the business requires to be achieving the exit value sought by shareholders and have a clear plan in place to develop this performance.</p>			
<p>Key Man Reliance</p> <p>You have identified the areas of weakness and risk within the management team and key roles across the business and have defined options to mitigate the risks.</p>			
<p>Customer risks</p> <p>You have analysed the customers to identify areas of risk and or reliance with options to mitigate the risks.</p>			
<p>Supply Chain Risks</p> <p>You have identified risks within your supply chain including labour resources and have developed a number of options to address these.</p>			

Product / Service / Market Developments You have documented a plan to develop products, services or markets including growth plans and business cases.			
Process and Documentation needs You have reviewed all current internal processes and documentation and have a clear plan to develop areas that are weak or require revision.			

After reviewing the items and elements of your exit strategy and your answers, please take the time to outline the agreed actions required to complete any outstanding items.

Agreed Action	Who is involved	Completion Date

Determining Your Exit Readiness

The following is a checklist to assess how ready the business is to exit, and how you may perform with any potential investor due diligence at sale time.

Governance Matters

Item	Yes	Progress Made	No
Monthly financial and key performance indicator reporting exists.			
A formal business plan has been prepared and is updated quarterly.			
A formal budget is prepared, and actual performance is monitored against budget each month.			
Full compliance with regulatory items including employment, immigration, environmental, health and Safety and other matters.			
Customers and suppliers are managed contractually to minimise litigation and or risk.			
Credit worthiness and banking relationships are excellent.			
Customer and supplier contracts are industry standard.			
Business contracts are able to be assigned to an acquirer.			
Intellectual Property is able to be traded and appropriately protected.			
Post-acquisition changes in employment are planned for.			
Industry knowledgeable and respected lawyers have been appointed,			
Industry knowledgeable and respected accountants have been appointed.			
Due diligence files have been completed for potential acquirers.			
Corporate and personal tax structures have been optimised.			
Director and Governance Reporting and Meeting notes and documents are compiled.			

Personnel Matters

Item	Yes	Progress Made	No
Register and files exist of all staff including a breakdown of remuneration packages, length of service, details of positional changes, key staff departure in preceding 12 months.			
Company organisational chart showing staff roles, functional teams, and reporting / communication lines.			
Profiles of management and key staff are held together with the most recent periodic review.			
Copies of all employment agreements held including details of agreed or proposed changes.			
Details of any collective agreements.			
Details of provision for staff leave, holiday pay and any other entitlements.			
Recruitment processes are in place to attract, select and recruit the right people into the right roles that align with the company strategic objectives.			
Employment contracts are in place for all staff. Employment conditions, salaries and benefits are industry standard.			
Personalised development programs and objectives are formalised for employees with agreed accountabilities and outcomes.			
Performance review processes are in place for employer and employee.			
Performance based remuneration structures in place for all employees, aligned with the company strategic objectives including agreed performance standards.			
Employee relationships are managed to minimise litigation.			
Employee induction program and exit procedures established.			
Post-acquisition / sale changes in employment are planned for.			

Financial Matters

Item	Yes	Progress Made	No
Financial Reports for the last 3 years, including notes to account and tax statements, signed by the directors and externally prepared by a chartered accountant.			
Sales and gross profit analysis, broken down by product or service for the current, previous and forecast financial year. Other analytical information including geography, sales channels and products buy category are available.			
Full management accounts for last 12 months, actual performance compared to budget, profit and loss and balance sheet.			
Information and explanations of any expected changes in expenses or capex.			
Statement of cashflows month by month for the previous and current financial year and forecast for the remaining months of the current financial year.			
Details of accounting and management information systems used including accounting policies such as stock costing.			
Detailed fixed asset schedules.			
Detailed debtors and creditors scheduled, aged, with major customer and supplier groups identified.			
Copies and full details of all customer and supplier agreements together with any changes in the last 12 months or any agreed / proposed upcoming changes.			
Written details of customer credit policy and any doubtful debts, together with a history of debtor collection.			
Current stock valuation report and reports for the two previous financial year ends including aging analysis. Explanation of valuation methodology, costings and reconciliation to creditor invoices. Details of pricing methodology. Details of stock take procedures.			
Detail of all intangible assets, trademarks, brands, copyright and other intellectual property.			

Legal Matters

Item	Yes	Progress Made	No
Detail any legal action, commercial disputes and claims against the company.			
Copies of all insurance policies showing the nature and extent of the cover for assets, professional indemnity and public liability.			
Details of all banking arrangements including working capital, trade finance and foreign exchange facilities as well as any asset finance and lease arrangements.			
Copies of all property lease and occupancy arrangements as well as any asset leases.			
Detail of all intangible assets, trademarks, brands, copyright and other intellectual property.			

After reviewing the exit readiness checklists, please prioritise the actions that are required to complete any outstanding items.

Agreed Action	Who is involved	Completion Date

Summary

Once you have completed the assessment and captured all the actions our recommendation is to complete on the following process.

- 1. Collate all the actions.**
- 2. Prioritise and order the actions including who will need to be involved and what time frames are applicable to complete.**
- 3. Some items may be larger than just an action or series of actions, and require a project based approach.**
- 4. Document the projects and actions including milestones including review dates.**

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