


Cashing Out Study Group

Cashing Out Step 1:
Know What They've Got



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\\Knowledge Base\Presentation\Wholesaler\2009\Wholesaler

Curriculum

1. The question nobody's asking
2. **Know what they've got**
3. Responding to concerns
4. Grow what they've got
5. Know their exit options
6. Starting the conversation
7. Centers of influence

To Cash Out Successfully, Owners Should **PLAN AHEAD**

1. Know what they've got
(business value)
2. Grow what they've got
(profit roadmap)
3. Know their exit options
(exit options analysis)

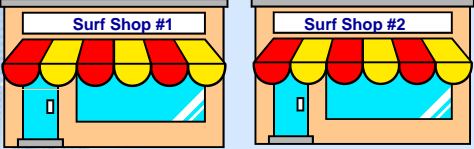
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Why do owners misjudge business values?

1. Wishful thinking
2. Rules of thumb

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How NOT To Value A Business



“Rules-of-thumb” assume all companies are alike.

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Revenue Ruling 59-60



1. Nature of business, history
2. Economic outlook generally and for specific industry
3. Book value, financial condition
4. Earning capacity of company
5. Dividend-paying capacity
6. Goodwill, intangible value
7. Market price of publicly traded stocks in same or similar business.


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Preliminary Steps

- Interview management
- Analyze financial statements
- Normalize financial statements

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Standard of Value

- Fair Market Value
- Fair Value
- Investment Value

Premise of Value

- Going Concern
- Orderly Liquidation
- Forced Liquidation

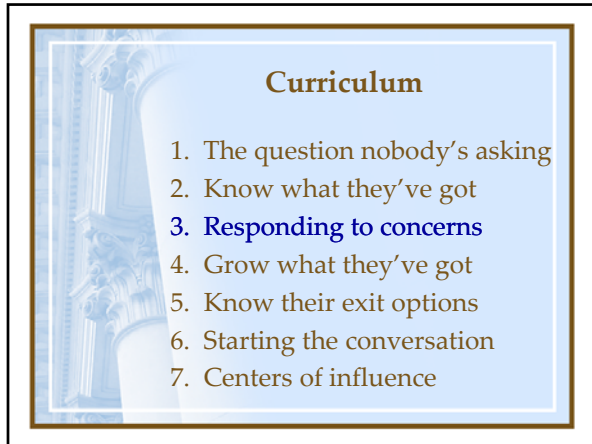
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Valuation Approaches

- Market approach
- Asset approach
- Income approach

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