

CT Business Owners EXIT PLANNING Survey

2017 Year End Report

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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.



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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 niche industry practices. The Firm serves both privately held and publicly traded 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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CT Business Owners EXIT PLANNING Survey

Executive Summary

Members of the Baby Boom Generation, which comprises an age demographic ranging from 56 to 71 years old, own 8 million businesses nationwide. The leading edge of this group of owners is already exiting their businesses. As this generation ages, the market for business sales will be comprised of more sellers than buyers, which will have a significant impact on valuations. Owners who clearly understand how to prepare for an exit will be better off than those who do not.

Exit strategies consist of a variety of ways to transfer business assets; these can range from pursuing succession planning to the next generation in a family business, selling to current management, or selling to a private equity group or some other third party. 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 with revenues under \$20 million, located in Connecticut, and operating in range of market segments, see Survey Demographics.

Key Findings from Research:

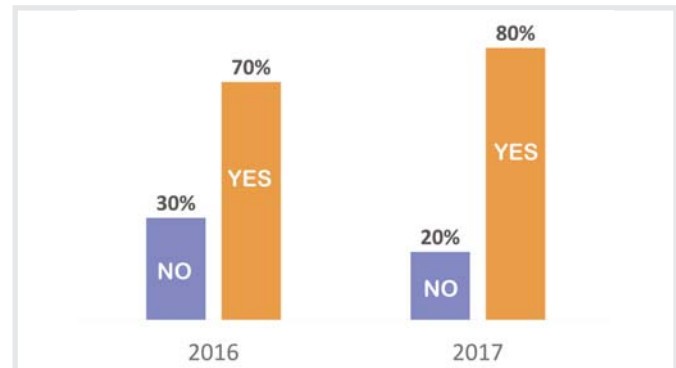
- Connecticut has an increasingly active transaction market for buying and selling businesses.
- Sentiment among Connecticut owners remains optimistic about exiting their businesses.
- The majority of owners selling within the next 5 years do not have an exit plan.

Connecticut Business Market

Transaction Market Heats Up in 2017

The Connecticut transaction market is active, according to 80% of business owners surveyed, up 10% from the previous year. Nationally, business sales are setting record highs this year, according to BizBuySell's insight reports. Businesses sold for the first three quarters nationwide rose by over 25% in 2017¹.

Is there an active market in CT for buying and selling businesses?



The number of businesses transferring hands by year end will likely be the highest seen in at least a decade, primarily due to baby boomer owners exiting for retirement. Despite this trend, the sentiment among buyers and sellers has shifted from more of a "buyers market" in 2016 to one that is more balanced between buyers and sellers in 2017.

Is it a better time to BUY or SELL a business in CT?



Data from the 2012 Survey of Small Business Owners², a national study performed every four years by the US Census Bureau, reveals those 50 and older owned 45% of businesses with paid employees. Over half of respondents to this survey were of retirement age, 65 or older.

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>

CT Business Owners EXIT PLANNING Survey

Exit Planning

72% of owners planning to sell within 5 years do not have a written exit plan, and over a quarter of respondents don't plan to create one.

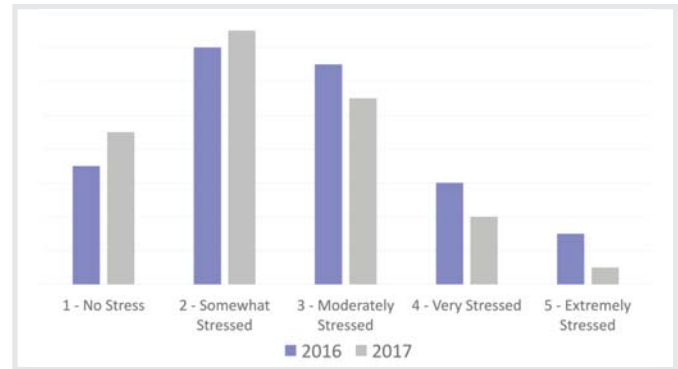
Exit Strategy

Over half of business owners plan to exit by selling to another company, while nearly a quarter plan to sell to outside individuals. 87.5% of respondents know how they will exit their business, but only 10% have a written plan to do so. Of those who did not have a plan, less than sixty percent plan to create one.

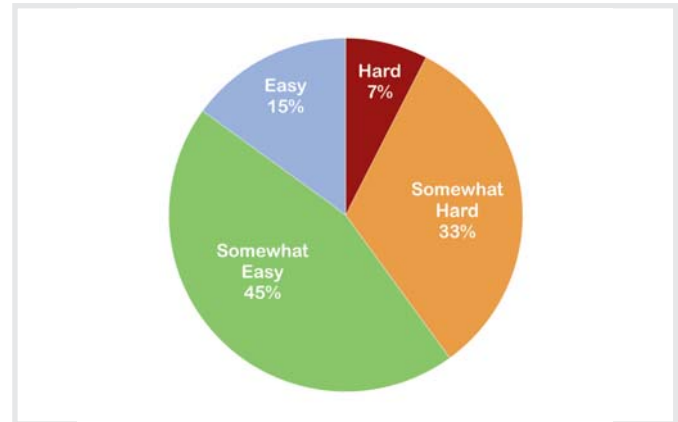
Sentiment Among Business Owners Remains Positive

Most owners are not worried about selling their business, with the majority reporting they expect to experience little stress in doing so. The level of difficulty to sell correlated with whether the owner felt it would be easy to let the business go and/or find a suitable buyer.

Stress Level of Owners When Thinking About Selling Business



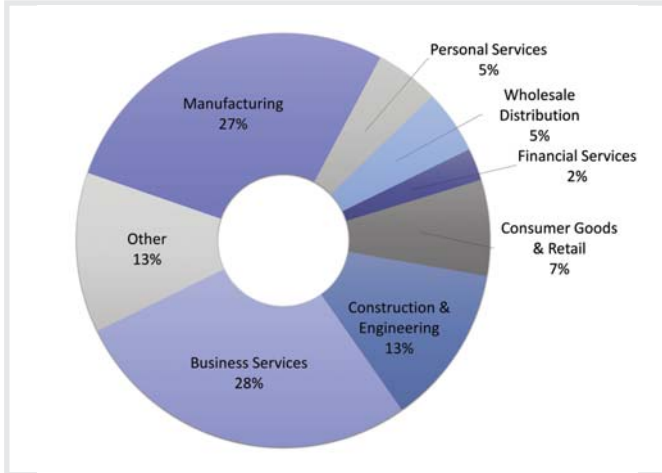
How difficult will it be to exit your business?



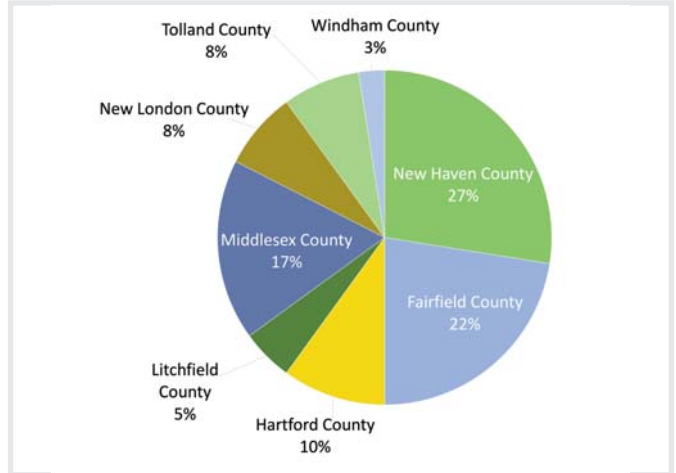
CT Business Owners EXIT PLANNING Survey

Survey Demographic

Industries



Counties



Yearly Gross Revenues

