

CT Business Owners EXIT PLANNING Survey

2016 Year End Report



ZANGARI COHN
CUTHBERTSON DUHL & GRELO P.C.
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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 business owners is already exiting their businesses. As this generation ages, the market for business sales over the next 10 to 15 years 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.

The Connecticut Business Owners Exit Planning Survey was created to measure owner readiness and 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 our clients' interest in issues related to exit planning, with the belief that we need to quantify the challenges ahead for business owners as the population ages.

The market surveyed included owners of businesses with revenues under \$30 million, located in Connecticut, and operating in a full range of market segments with exception of the hospitality and retail sectors (the full range of SIC codes surveyed is available upon request.)

Key Findings from Research:

- Connecticut owners are optimistic about selling and exiting their businesses.
- The majority of owners selling within the next 5 years are not prepared to transition or sell their businesses.
- Connecticut has an active transaction market for buying and selling businesses, that is somewhat favorable to buyers.

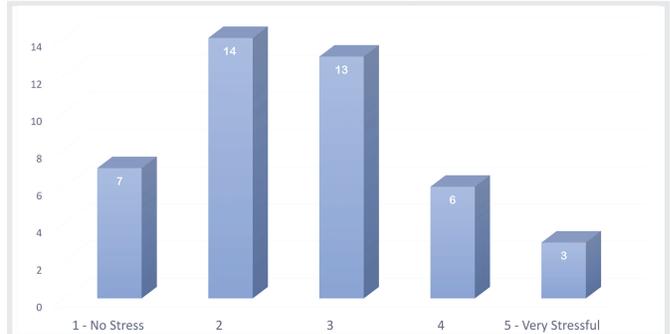
“Business owners are not adequately prepared to transition or sell their business.”

Start preparing. Contact your accountant, lawyer or business intermediary.

Sentiments Among Business Owners Are Positive

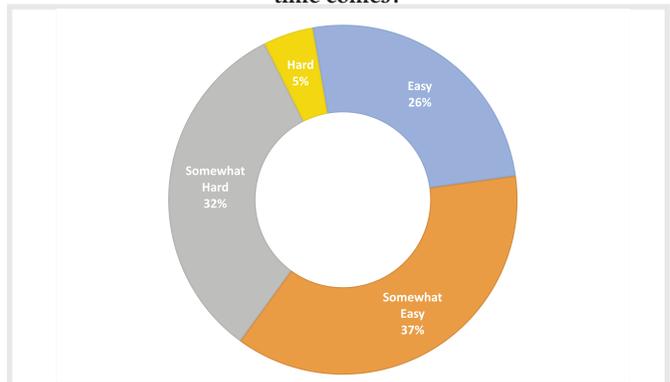
The average level of stress for business owners with regards to selling their businesses is 2.6 on a scale of 1 (No Stress) to 5 (Very Stressful).

Stress Level of Owners When Thinking About Sale of Business



Overall, business owners do not believe it will be hard to exit their businesses:

How difficult will it be for you to exit your business when the time comes?



The majority of owners believe it will be fairly easy to exit their businesses. The top two sentiments are:

1. “I believe it will be easy for me to let the business go.”
2. “I believe I can easily find a suitable buyer.”

Among those who believe it will be at least somewhat hard to exit their business, the top two sentiments are:

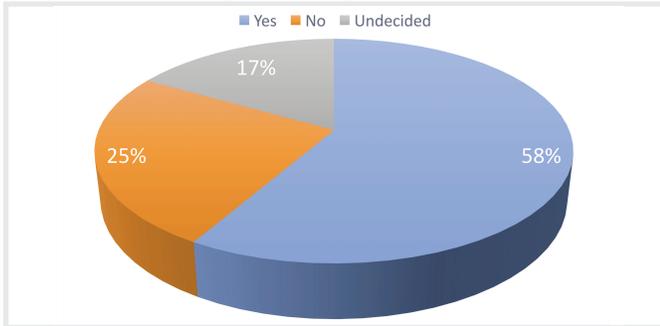
1. “I believe it will be difficult to find a suitable buyer.”
2. “I haven’t planned my exit yet, so I am very unsure of how it will go.”

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Are Owners Retiring in the Next 5 Years Ready to Exit?

Sixty percent of survey respondents plan to retire in the next 5 years. The majority of owners in this category plan to exit via sale to another company or an outside individual. However, most do not have an exit plan. Ideally, companies are prepared for sale over the course of a few years to optimize sale price.

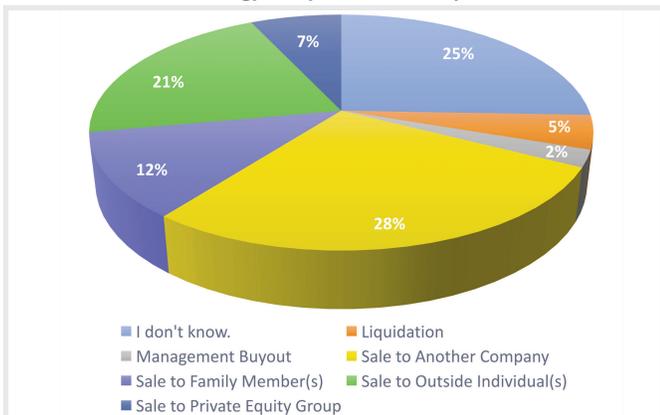
Will the Presidential election have an impact on the market for selling and buying businesses in Connecticut?



Follow up Survey Results Regarding Presidential Election

The majority of people who participated in a follow up survey conducted prior to election results felt that the Presidential election will impact the Connecticut market for buying and selling businesses. The question generally assessed whether survey participants thought the outcome of the election would impact the market, but did not have participants specify a candidate. This topic may be reviewed in the next annual survey, contrasting opinions of whether or not the market changes in 2017.

What exit strategy are you most likely to use?



Exit Strategy

A quarter of respondents did not know what exit strategy they would most likely use. Other popular responses included sale to an outside individual or sale to another company.

Connecticut Business Market

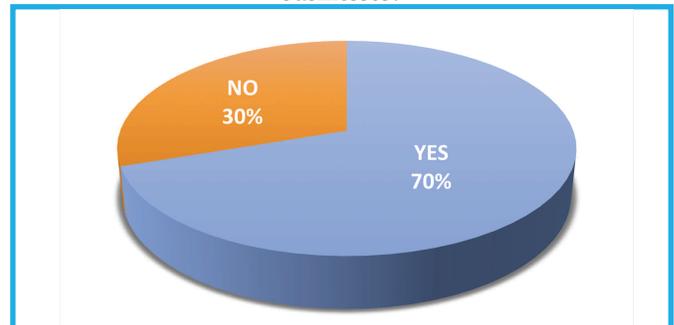
The majority of owners feel Connecticut has an active transaction market that is favorable to buyers. These results mirror opinions among transaction professionals, who expect an increasing number of sellers to continue entering the market. This will create a competitive market favorable to buyers.

Data from the 2012 Survey of Small Business Owners, a national study performed every four years by the US Census Bureau, reveals those 50 and older owned 45% of businesses with paid employees.

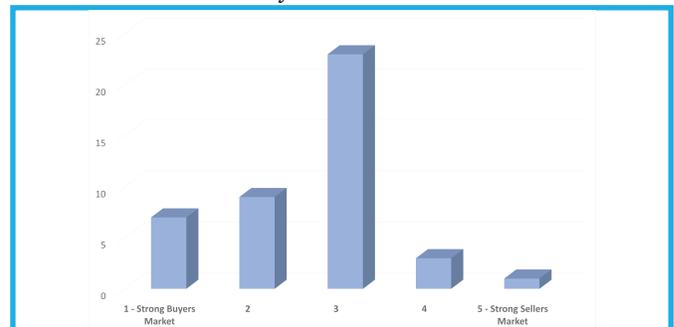
65% of respondents to this survey are CT business owners who are 55 or older.

With baby boomers reaching retirement age, the rate of business sales transactions is anticipated to continue to increase over the next 10 years.

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



Is it a better time to buy or sell a business in Connecticut?



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About VR Business Sales | Mergers & Acquisitions

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 service firms in the nation, offering 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.

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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. The firm's legal services includes business transactions, succession and estate planning, family businesses, tax, real estate, employment, and litigation. Benjamin Michaelson is responsible for this content.



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