

# COMPOUNDING PHARMACY OWNER \* \$UMMIT

## Should I Stay or Should I Go Now?

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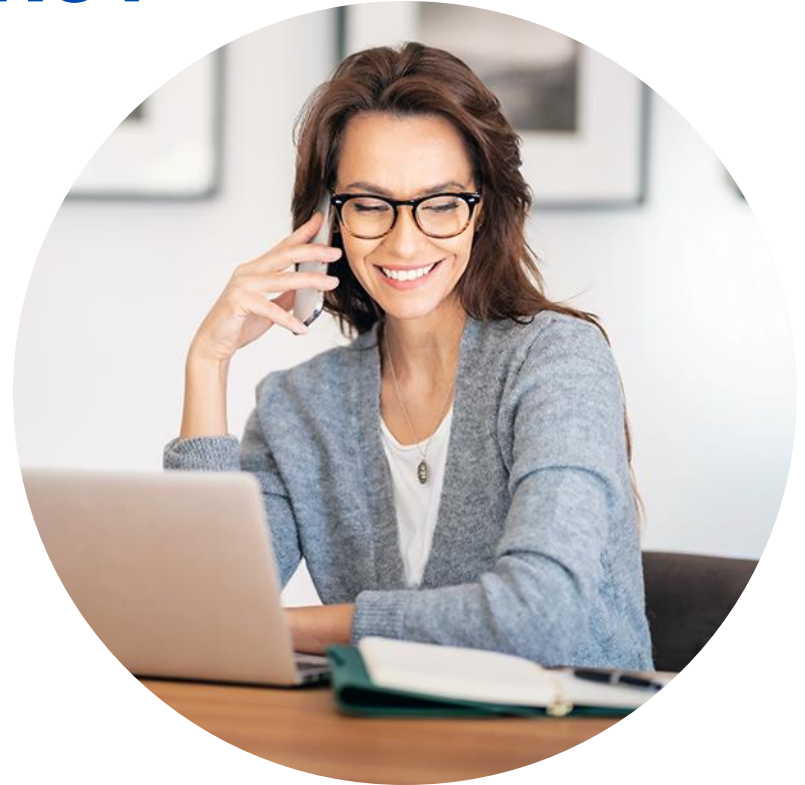
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**Exit Planning Adviser**

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# Business Valuation: Why Might I Need One?

- Transaction
- Litigation
- Compliance
- Employee Compensation
- Estate Planning
- Restructuring
- Baseline for Value Enhancement



# Business Valuation Basics

## The Three Primary Approaches

- Asset Approach
- Market Approach
- Income Approach



# Asset Approach



## PROS

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- Values the Company from a balance sheet perspective.
- Provides a base level value that a business could be worth upon liquidation.

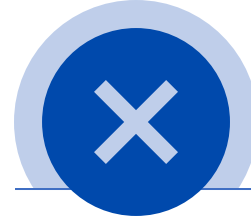
# Asset Approach



## PROS

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## CONS

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- Does not consider the future earning potential.
- For going concerns, the real value of the business may be higher than selling its assets, as internally created products are not recorded on the balance sheet.

# Market Approach



## PROS

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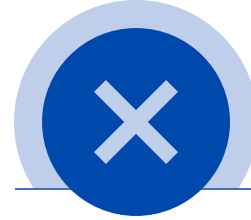
- Quick and relatively easy.
- Eliminates much of the subjective estimates and forecasts, focusing on objective data from the market.
- Uses actual transaction data for companies in the industry.

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## CONS

- Comparability issues.
- Potentially wide range of multiples for public firms.
- Public firm stock prices can be volatile.

# Income Approach



## PROS

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- Many moving parts, including the components of free cash flow, the discount rate, and the terminal value, allowing the valuator to use their best judgment and the facts of the case to pinpoint their estimation of the value.
- Done using projections on a company's future performance based on today's information.

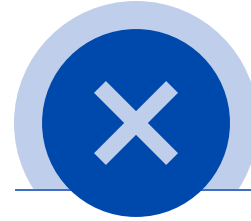


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## CONS

- Reliant on projections for future outcomes, which may or may not be achieved and/or occur.

# Discounts

## Discount for Lack of Control

- Does your ownership grant you the ability to vote or make decisions?
- Typically ranges from 30%-50%.

## Discount for Lack of Marketability

- It's much easier to sell your stock in a publicly traded company than to sell your private business.
- Can range from 5%-40%.

# Stay or Go Decision

## Key Questions

- Is the owner ready?
- Is the business ready AND attractive?
- Which exit option is optimal?
- Is the timing right?

## Transition Success

- 12 Months after selling, 75% of owners surveyed “profoundly regretted” the decision.\*
- 70%-80% of businesses on the market do not sell.\*
- Only 30% of all family-owned businesses survive into the second generation—only 12% survive into the third.\*
- Lack of readiness is a primary factor for lack of exit “success.”\*

*\* Source: Exit Planning Institute, 2020 State of Owner Readiness Survey*

# Want to Stay and Grow the Value?

## Focus on Value

- Owners leave money on the table because they focus on income generation and not enterprise value!

## Benefits to Being Ready to Exit WITHOUT Wanting to Sell:

- Pushes team to pursue best-in-class performance.
- Contingency plan—most exits are not planned.
- Prepared for non-solicited offers.
- Increase annual income and enhance value.

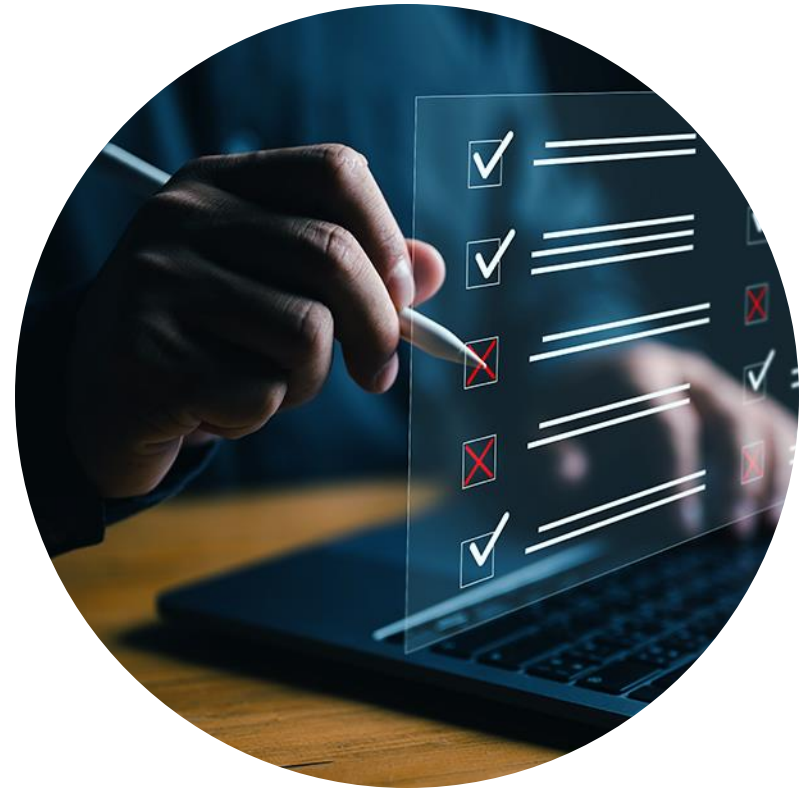
## Tips to Enhance Value

- Clean and accurate financial statements.
- Develop and maintain detailed policies and procedures.
- Measure your intangibles.

# Want to Sell? Maximize the Value to You.

## Not All Deals are Equal... Consider the Following:

- Hold-Back of Proceeds
- Seller Financing
- Performance Payouts
- Non-Competes
- Employment or Consulting Agreements



# Question & Answers



# Speaker Contact Information



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