

A LOOK AT THE APRIL 2009 MEETING

Transitions, Exits,

by

PAUL DANIS

Eastwoods Consulting

Companies looking to partner, sell or reinvigorate their organizations through an exit strategy still have opportunities in this down market, said keynote speaker Bruce MacRae'84 of Hastings Equity Partners at the April 14 WPI Venture Forum meeting. Though they face a buyer's market and valuations are down significantly, good companies can still find a buyer or partner. Companies that operate in stable markets, with many customers and good recurring revenue with high gross margins are better positioned for sales.

Should entrepreneurs sell their company now or wait for the situation to improve? MacRae outlined several options:

- Do not sell now if you can afford to wait. Take the risk that conditions will improve in the not-too-distant future.
- Consider a middle ground — recapitalize part of the company and generate cash to fund operations. Find an investment partner

**We Thank the April
Monthly Sponsor,
Massinvestor, Inc.**

VC MASSACHUSETTS
Venture Capital Directory

Massinvestor, Inc., is the leading publisher of Venture Capital directories, providing authoritative coverage of more than 3,200 Venture investment firms in the nation's top regions. Michael Stern Editor/Publisher, P.O. Box 711, Winchester, MA 01890

617.620.4606 • www.massinvestor.com



Keynote presenter Bruce MacRae'84 shared his perspective on exit planning

that can help build market share and add additional horsepower to management. He advised business owners to think like an investor and not an owner. Their company is an asset and not an offspring.

In closing, he offered some sage advice, based on his experience of examining approximately 10,000 companies:

- Be prepared before deciding to sell. You should start the process about two years before you would like to exit.
- Be realistic about valuations today. You need to consider performance in 2009-2010, not the past two years.
- Understand the deal structure, as even experienced advisors can make incorrect assumptions.
- Pick your investment partner wisely since they are more than just a source of funds.
 - Think about value today as well as value in the future
 - Conduct due diligence on them, as they will on you. Have a thorough understanding of what they bring to the table besides cash.
- Be patient, as the process can be lengthy. Though you want to sell fast, they want to buy slow.



Audience members absorbed speakers' valuable advice

Case Presentations:

TUI Student Travel

In a twist from typical practice, co-moderators Sherry Handel of Guard Support Massachusetts and Kevin O'Brien of Peak Financial Services, Inc. then introduced a case presentation double header: two businesses offered their perspectives on exiting and some of the lessons they learned.

Mario Ricciardelli, President & CEO of TUI Student Travel developed his company from a 1987 Babson dorm room startup into the leading company in North America for student travel. Through a fascinating tale of mergers and de-mergers, he grew the company to over \$22 million in sales and \$2 million in operating income in 2004 before selling it for \$44 million. Though ultimately successful, he learned several important things along the way that he shared with the audience:

- Good business advisors are very important. He had several missteps that could have been avoided if he had good advisors in place.
- Focus on the core business and make that successful. Together with his advisory board, he refined his strategy.