

CREATING THE EXIT

OPPORTUNITY

Learn The Proven Process I've Personally Used To
Start, Scale and Exit Six Companies

MAC LACKEY

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PREFACE

Steve Jobs, in his famous Stanford commencement address said “You can't connect the dots looking forward; you can only connect them looking backwards.” For me, this has been incredibly true. Over my 25+ years journey as an entrepreneur I made a number of really important and incredibly valuable decisions which were some of the biggest contributors to what I consider a great life. At the time, they weren't as clear. Some were risky, some were controversial among my friends and advisors but they were THE things that now, with the clarity of hindsight, I know made all the difference.

A few of those decisions:

Decision One: Deciding I will not accept the trade-offs.

In July of 2000 (a month before our first daughter was born) I made the decision I was not going to accept the tradeoff between being a passionate entrepreneur (starting and scaling companies I cared about) and being a present, dedicated father. I decided, against conventional wisdom, I was going to do both. I was going to build eight figure companies and still be home for dinner, coach the soccer teams and carve the classroom pumpkin with my kids. That decision has led to amazing things in my life.

Decision Two: Focusing on and creating the “option” to exit.

Early in my entrepreneurial journey I realized that if you focus on creating something valuable, and you do the little (albeit often unknown) things that set up your company well, that having the OPTION to exit creates incredible leverage. I realized that what I really needed was not just for people to want to buy my companies, or to want to pay me a premium for what I had built, but to have it as an option (not an obligation, or a forgone conclusion). Once I realized how powerful this strategy was, it became a repeatable and incredibly rewarding strategy I've used again and again. This book describes the actionable steps you can take to make this happen.

DEDICATION / ACKNOWLEDGEMENT

This book is dedicated to my family. From my parents who raised me to pursue my passions and dreams, to my wife who provides unwavering support and love, to my daughters who make me happy, proud and have always given me my WHY... I can't thank you enough and I know that 100% of my successes and all of my greatest moments are because of you.

TABLE OF CONTENTS

COPYRIGHT	2
PREFACE	3
DEDICATION / ACKNOWLEDGEMENT.....	4
INTRODUCTION	6
CHAPTER 1:	
THE FOOTBALL FIELD VALUATION.....	12
CHAPTER 2	
CRITICAL SHIFTS.....	22
CRITICAL SHIFT 1:	
FOCUS ON STRATEGIC VALUE.....	24
CRITICAL SHIFT 2:	
DEVELOP AN IRRESISTIBLE EXIT STORY.....	31
CRITICAL SHIFT 3:	
FIND THE BEST BUYERS	41
CRITICAL SHIFT 4:	
PROACTIVE, NOT REACTIVE	50
CHAPTER 3:	
HOW EXITDNA CAN HELP YOU DEVELOP THE OPTION TO SELL ON YOUR TIMEFRAME, ON YOUR TERMS, AND AT MAXIMUM VALUE	56

INTRODUCTION

Shortly after selling my last company, I was asked to speak at an event on the West Coast for a small group of very successful entrepreneurs. I was happy to try and help, but quite surprised when they asked me to speak on the topic of successfully navigating exits.

At this point in my career, I'd had six exits from companies that I had started, scaled and exited. I know. Six seems like a lot. Actually, six is a lot, statistically speaking. However, I hadn't given the number much thought until they asked me to share how I achieved such a rare outcome. The number simply accounted for some of the events in my life until that point.

I've always been a head in the sand kind of guy. For the last twenty-five-plus years, if something wasn't related to my family or the business I was running, I didn't pay much attention to it. Two days before a Super Bowl I wouldn't have been able to name the teams playing. I was hyper-focused.

My first exit came in my twenties to the tune of eight-figures. Some people would have been cool with taking their foot off of the gas and relaxing for a while. I had no interest in that. Before the deal even closed, I had started my next company. There wasn't a single day in between.

When I was asked to speak at that event about exits, I was taken aback. I knew that room would be filled with over one hundred and fifty entrepreneurs doing very well in their respective markets. I hadn't thought about how unusual my story was. All I was doing was my work the best way I knew how.

After mulling over what to present, I decided to share some simple stories from my personal business experiences. I told them about my first company--an internet company launched a few months after Netscape had debuted their commercial web browser. We had a brilliant group of individuals on the engineering side. We didn't have investors per se (we did have a \$10,000 loan from a family member to buy our first computer)

and didn't have interest in selling it. An exit was never really on our radar. We were just really focused on making the business work.

Every time we made a dollar, we poured it back into hiring someone to help us grow more. My partners and I were basically on the poverty line as founders in those first few years. Then, suddenly, we got an offer that came with life-changing money, and we decided to sell the business into a roll-up.

From the stage I told them how from that point on, I fell in love with the idea that if you worked really, really, really hard on a business, you could make it very valuable to others in a relatively short amount of time. It was only about three years from the time we started the company to the time we sold. Sure, those three years we lived on ramen and slept on floors, but in the end, it was all worth it.

I've never been what's commonly referred to as a "flipper." Someone who starts a company with the intent of selling it off as quickly as possible. But, after that first sale, it was always a part of my calculus. I always had it in the back of my mind that I had to do certain things to make sure that possibility could become a reality.

I shared story after story covering the many mistakes I made and some of the things I had done well. I told them about my victories and my defeats. I discussed a number of things I'd done differently when it came to my exits.

After I was done, I hoped a few people would be encouraged to work a little harder or be a bit more strategic about their potential exits

I didn't expect what happened after I finished my talk.

I couldn't believe it.

I must have had eight or nine founders of successful companies coming at me in a near jog saying things like, "Mac, I need your help" or "Can you tell me more about how you did this?"

I was shocked. I didn't think anything I had shared or said was unique. I was just telling stories. But each and every one of them shared with me

how they were considering an exit in the future. Some were very short-term, some were hoping that they might have an exit one day, but all of them said they had never heard anyone share the things I had just shared on that stage.

Many of them said they had never heard anyone talk about the process of selling a company, or why someone would want to acquire a company, or how to find buyers. All things that were very natural and intuitive to me. They were things I had always done because they seemed logical to me (but importantly, I also hadn't been tainted by well meaning brokers or others who would have likely advised me differently. Thankfully I had to figure it out on my own.)

It turns out those things were very foreign to that group of entrepreneurs, and, I've learned, to most entrepreneurs.

What was especially crazy to me was many said they had spoken with advisors and investment bankers, and transaction attorneys. And yet, here was this random guy up on stage sharing stories and information they had never heard before. And the things I shared were actionable things that not only would increase their odds of getting to an exit (where many fail), but likely help maximize their exit value well beyond what they were being told. At that moment, I realized I had had a pretty unique set of circumstances that gave me this lens to see the marketplace in a different way than others.

After walking off that stage and meeting all of those founders, I became very motivated to share this wealth of knowledge that, up until then, I didn't realize I'd been given.

I wasn't sure how, but I knew I needed to help founders who are trying to sell their companies. I knew I needed to share ways with them to make sure not to leave potentially millions of dollars on the table.

Steve Jobs famously once said, "You can't connect the dots looking forward; you can only connect them looking backward." It wasn't until after walking off of that stage that I looked back and started to see some of the patterns and common threads woven throughout my exits.

In my defense, the commonality wasn't obvious.

My first company was a tech company. My second was a media company. My third was an apparel company. I sold to public companies. I sold to private companies. I sold to both U.S.-based and international companies. There was a lot of diversity when it came to my exits and my companies. But, looking back now, I see how my experiences revealed some clear principles and actions founders can take to increase their chance of a sale and maximize their exit potential.

And, it's not just in my companies that I've observed these principles at work. I've watched them play out time and again in companies that were not my own. I've been an angel investor in more than fifty companies. I've spent six years on the board of a public company doing acquisitions. I've watched transactions on the buy-side and the sell-side to a much broader extent than my own six exits. Every single one, almost without fail, has had some measure of the principles I'm going to be covering in the rest of this short book.

One of the most significant, most important principles is this:

Companies are not bought. Companies are sold.

I know what you're thinking. Wait? Didn't you just get done sharing the story of how your first company was bought? I did. My first business is the exception to the rule. It was this really fortuitous sequence of events that converged into our kind of stumbling into a sale. It was an anomaly that never repeated itself for me, and I've never observed it repeat in any of the other companies I've had some measure of involvement in since.

Here's the thing--I believe most entrepreneurs have been sold a romanticized bill of goods from the media and general public. Many founders are keenly aware of what's possible when it comes to selling your company. They've heard the stories about people who have had these incredible, larger-than-life sales. There's this sexy kind of appeal to having your company acquired, which is probably why three-quarters of entrepreneurs I have talked to (which is thousands at this point) said they want to sell their company one day.

The reality is the odds of that happening are much lower than most people would like to believe. What happens to many entrepreneurs is they wake up one day and have this revelatory moment that makes them want to sell their company.

Some want to sell so they can get married.

Some want to sell so they can retire.

Some want to take care of a sick family member.

Some feel like they've taken the company as far as they can, and they're ready to hand it off to the next person who can grow it further.

Some are just flat-out tired of running lean and are ready to cash in.

Whatever the reason, the entrepreneur or founder decides they want or need to sell. What I see working with people, more often than not, is there's a very significant disconnect between perception and reality. They think their company is worth one amount, and it's actually worth half that amount, or three-quarters of that amount.

They think people will be knocking down their door for a chance to buy their company and, sadly, no one seems interested. Again, this isn't always the case. Every once in a while, you have a situation occur like my first exit--but the odds are a lot lower than the media would lead you to believe. Which is why I'll say again what I said before, what I'm always shouting from the rooftop:

Companies are not bought. Companies are sold.

I fundamentally believe if you just wait for a sale to happen, it just doesn't happen. Or, it will happen in such a sub-optimal way compared to what it could have been if you would have only done the right things.

An exit is often the single largest financial opportunity of most founders' lives.

Most founders that I have talked to say they want to exit sometime in the future. Every time I hear that I want to tell them that if you're not doing something about it right now, you're not going to maximize that value in the future.

The majority of founders don't want or need to have multiple exits as I have had. It's more of a once in their life kind of thing, which further emphasizes the need to get it right.

It's why it's so important that founders learn to look at what they've built through what I call The Exit Lens.

They need to learn the tools to use and the assets to identify to increase the likelihood of getting an exit, the value of an exit, and control for the terms they care about.

That's what the rest of this book is all about.

CHAPTER 1: THE FOOTBALL FIELD VALUATION

The single biggest financial opportunity for almost every founder is an exit. Even when businesses are doing really well and kicking off cash flow, it tends to pale in comparison to that single transaction that can define so many opportunities in their life.

Spend just a little bit of time in the business circles popular on social media, tv, or anywhere else, and it appears that acquisitions, mergers, and IPOs are everywhere. It's a \$3 trillion a year industry in terms of the transactions related to companies being bought and sold. You'll also hear about these unicorn businesses, companies that started in dorm rooms and grew into billion-dollar companies at record speeds.

What most people take away from the media is that, as an entrepreneur, if you build a great business, you're going to have a lot of great opportunities. You'll be able to take it public, or when you're ready to be done, someone will be waiting there ready to buy it from you.

Historically, that just isn't the case.

Few founders ever exit their business. Many studies have been done over the last twenty-five years about this. One study showed that only one in five companies listed (meaning people who were actively trying to sell their company) ever close the transaction¹.

Many have heard about this transfer of wealth coming because of the baby boomer generation exiting the workforce. It's said there's \$10 trillion dollars worth of value that's going to change hands. And yet, statistically, only 20% to 30% of those looking to exit will find a buyer². My experience says that only a few of them will actually find a buyer and will be able to

¹ How Many Businesses Sell Once They're Brought to Market? NOT ENOUGH." Worldwide Business Brokers, 17 Aug. 2019, www.worldwidebusinessbrokers.com/how-many-businesses-sell/.

² NeadNate Nead is a licensed investment banker and Principal at Deal Capital Partners. "Only 30 to 40% of Businesses Actually Ever Sell." InvestmentBank.com, 3 Nov. 2020, investmentbank.com/only-30-to-40-of-businesses-actually-ever-sell/

maximize value.

I've personally had six exits. I can tell you from the very beginning, as amazing as all of those exits were, I left millions on the table because I didn't know what I didn't know (most first time founders wouldn't have ANY experience in this area). At that point in my career, I wasn't an expert at exits. I was fortunate. I had six exits. Each time I was able to learn more and more, which made them get better and better.

But, what if, you only had one big shot?

What if your future exit is THE exit? The one that will define your future.

I'm guessing you'd want to make it count, wouldn't you?

If you wait for buyers to show up, not only will you probably never exit but even if you do, you will likely end up leaving large sums of money on the table. Of course, the size and amount are relative to your business. If you're running a seven-figure business, it can be hundreds of thousands or more. If you're running an eight or nine-figure business, it could be as high as tens of millions of dollars.

Regardless of the amount, the point remains the same. Trust me; you don't want to look back, if you even get an exit, and realize what you gave up after the fact, mainly because there are simple things you can do to change that.

Now, most entrepreneurs and founders I speak with who are ready to enter this process have three things going against them:

1. They have an unrealistic expectation of the value of their company
2. They have an unrealistic expectation of what it will take to get the transaction completed
3. They haven't done the smart (and often simple) things they need to do to maximize value

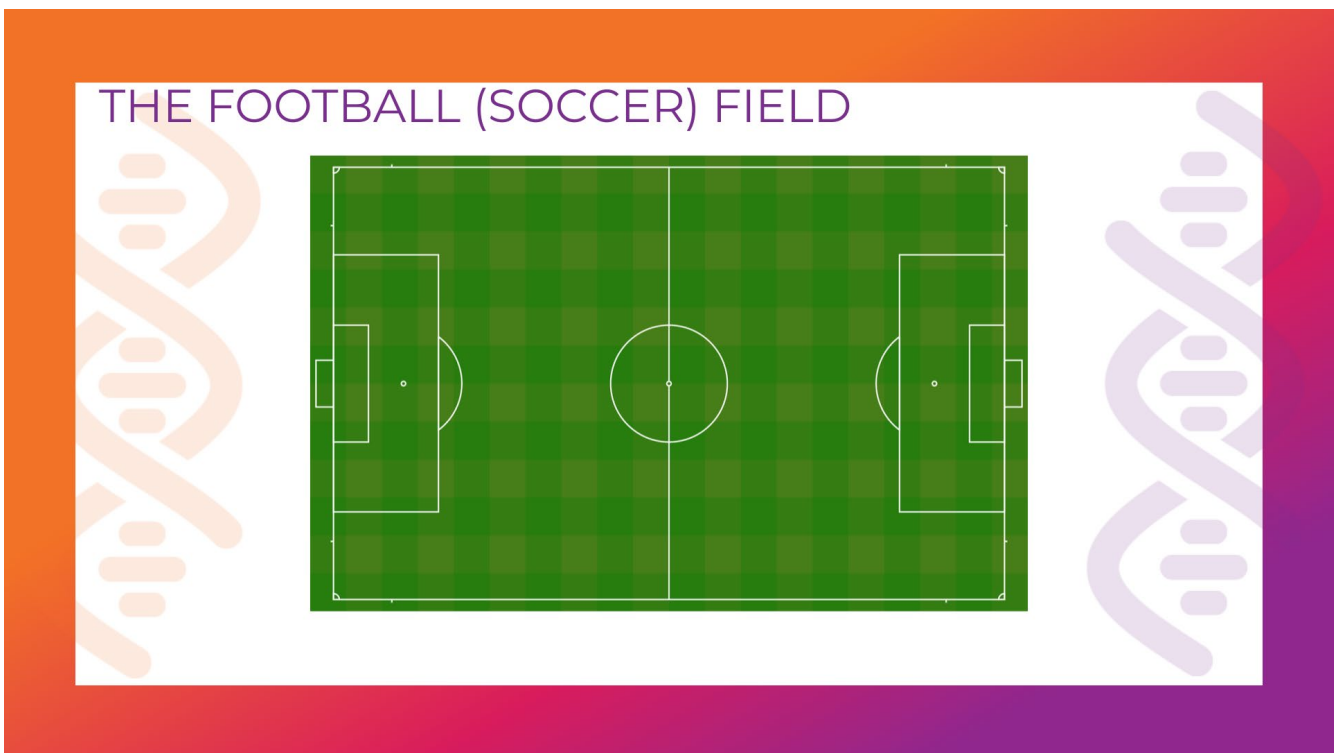
It's unfortunate because those can be some pretty big roadblocks that conspire against them. The good news is it's a relatively simple process to remove those specific roadblocks.

The first step is to understand how the market looks at your business.

One simple way I've helped founders discover the value of their business is by using this straightforward analysis method to illustrate how the market values your business.

Let me show you how it works.

I'm a soccer guy. I think everything is easier to understand on a soccer field (internationally known as Futbol or Football). Below you'll find what I call the Football Field Valuation.



[Click here to access a downloadable worksheet version of this exercise.](#)

To use the Football Field Valuation, you will need to have three numbers ready.

1. The price of what you would sell your company for today
2. Revenue for Last Twelve Months (LTM)
3. EBITDA for Last Twelve Months (LTM)

(EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization)

For the first number, I don't want you to put what you think it's worth. I want you to put what you would sell it for. What would someone have to offer you to get you to sell your business right now? I call this your "Yes Enterprise Value" or YES for short.

To start on the Football Field Valuation, place your Yes Enterprise Value (the price you would say yes to selling your company for) into the goal on the far-right side of the field.

Remember, *your Yes Enterprise Value isn't what your company's currently worth or based on any factor other than, if someone said, I would give you ____ for your company, you would say yes.*

Whatever your Yes Enterprise Value is, write it in the goal on the right side of the field. Next, break up your field into segments at 75% and 50% of the field. Lastly, figure out the numbers for 50% and 75% of your Yes Enterprise Value and write the number, not the percentage, on the field's corresponding marker.

For example, *let's say for illustration your Yes Enterprise Value is \$10 million. You would write \$10 million in the goal, you would write \$5 million at the 50% mark on the field, and you would write \$7.5 million at the 75% mark on the field.*

What we're trying to do is break this down into very logical components so that we understand the percentages. It's pretty straightforward and doesn't need to be exact. This is simply a blunt instrument to help you understand the market's view of value.

Here's the next part of the exercise. This one involves some basic math.

You're going to need to calculate three numbers. Take your last twelve months' EBITDA or profit and times it by 5, by 7.5, and lastly by 10.

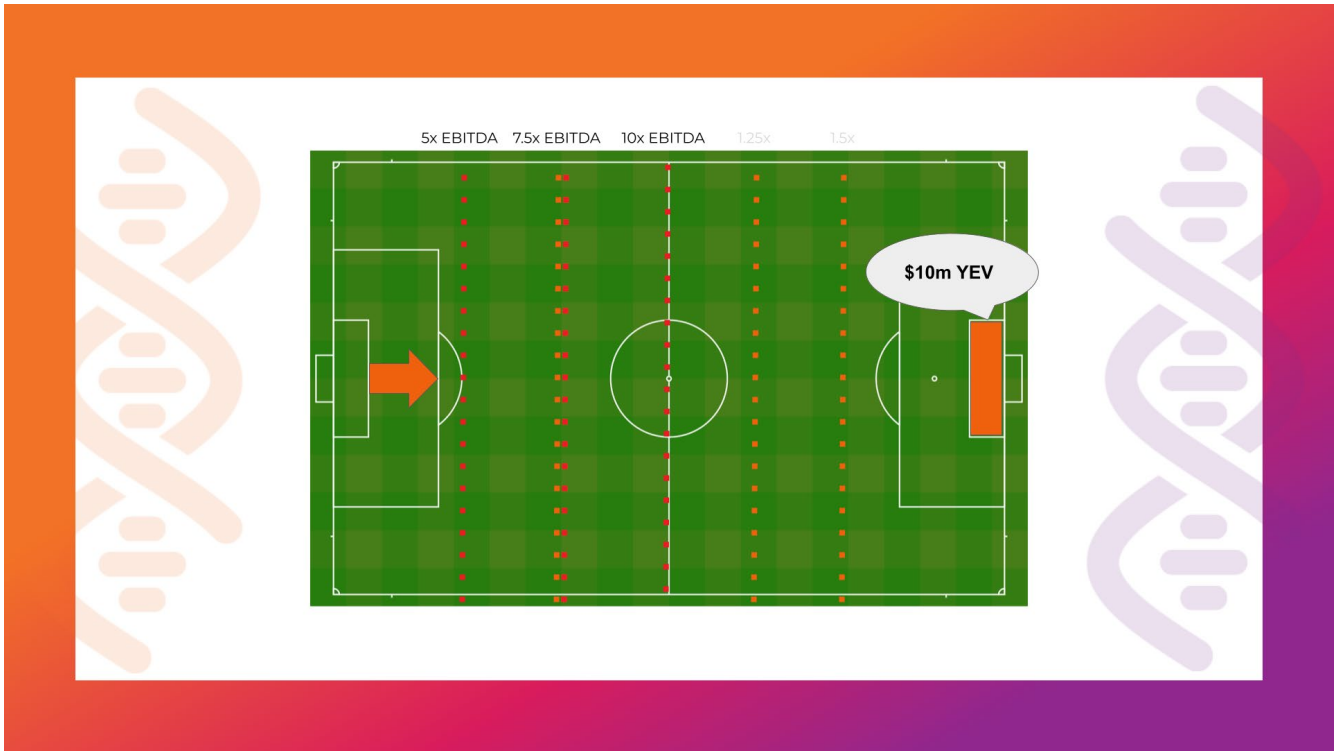
EBITDA (LTM) x 5 = _____

EBITDA (LTM) x 7.5 = _____

EBITDA (LTM) x 10 = _____

Those numbers are meant to represent valuations based on conservative, middle-of-the-road, and more aggressive EBITDA multiples. So, after

doing your math, if we use the example, I gave you and let's say your last twelve months' EBITDA was \$1 million, then 5x your \$1 million would be \$5 million. That would be right at the midfield line. The 7.5 multiplier would be \$7.5 million at the three-quarters mark. Make sense?



Now we're going to use a similar formula with revenue. Only now it's 0.7 times last twelve months revenue, 1.25, and 1.5. Again, these multipliers represent conservative, middle-of-the-road, and more aggressive valuation metrics.

REVENUE (LTM) x 0.7 = _____

REVENUE (LTM) x 1.25 = _____

REVENUE (LTM) x 1.5 = _____

When you have those numbers lay them out on the field.

When you're done, you're left with this sort of chart that shows you what those multiples look like. Now what we're trying to get with those numbers is a sense of how the market would value your business today based on financial metrics.

The most common metric of all transactions done in 2018, 2019, and 2020 is an EBITDA multiple. The average in 2018 (which is the last set of data I have access to right now, but I would venture to say it's very consistent) was companies were sold for 4.7 times EBITDA. That's the average exit value companies sold at in 2018.

I like to use this kind of metric to give a full picture of what to expect. Maybe you're in a little more growth-oriented industry. Perhaps you have some things that would allow you to argue that your company outperforms the competition. Balancing these different EBITDA multiples and revenue gives us the visuals needed to see the likely scenarios.

There are usually two outcomes when most founders finish this exercise.

You may look at the numbers on the field and think it's within the realm of possibility for someone to be willing to pay 1.25x revenue for your company. That number would represent a middle-of-the-road, if not slightly aggressive, revenue multiple.

The distance or "gap" on the field between whatever that number is and your Yes Enterprise Value goal is what I call the Optimized Distance. It reveals how far away you are from being able to say yes if someone offered you that money.

A lot of what I do, and how I help people with my program, ExitDNA, are exercises like these that provide insight and often lead to strategic and actionable steps. Exercises that teach people how to look at their company through The Exit Lens.

In ExitDNA, we look at the optimized distance and coach on the next steps. We encourage founders and let them know that they may not be there yet, but hey, you're on the field, right? You have a number that you're shooting for, and you have some metrics that are saying you're not really there yet, but there are lots of things that we can do that will help you create more value to close that gap.

We teach them how to negotiate to help close that gap. We teach them how to use different types of math, like buyer math, or seller math, to stack as many things as possible to close that gap.

Trust me, after years of doing this with people, it's a very normal outcome to do this exercise and see that you're somewhere on the field, but you've got some work to do. That's okay. That's often the first outcome.

However, there's another common outcome I've observed play out with people who have done this Football Field of Valuation exercise.

I call it the Heartbreak Outcome.

You're on the field, but you realize you're a long way from your goal. You're a long way from your Yes Enterprise Value. You feel like you need binoculars to see it because it is so far down that field. You really don't know how to get from where you are to where you want to be.

It's heartbreaking.

I spoke to an investment banking friend of mine a while back. He told me the worst part of his job, which happens to him near-weekly, is that founders reach out to him and say they're ready to sell their company. They tell him they're really excited to retire and travel and play golf or buy a boat or fund their kids' education or whatever. Then my friend runs the numbers, and he realizes he has to break the news to them that their business isn't worth anywhere near what they thought.

They were expecting \$4 million in proceeds, and it's maybe not even sellable. Or, if it is, it's closer to \$1 million or less. It's a heartbreaking scenario, and it plays out way too often.

It's a scenario I'm motivated to help fix as best I can.

Whatever outcome you arrive at, typically in my experience working with founders, the Optimized Distance is pretty significant. Most founders in their minds aren't thinking in terms of this very blunt analysis. Which I completely understand and can relate to because I've been there.

I know this company represents your blood, sweat, and tears. It's all of the things you said no to so you could say yes to the company. It's your baby, and only you truly know how great it has become and all of the potential it still has. I understand all of that. The problem is that's not the lens a buyer is going to use to view your company.

I've watched it play out time and again. A buyer comes to the table and says, "I'm glad you have an awesome company. That's great. What was your EBITDA last year? Okay. We'll give you four times EBITDA."

That's a gut punch for most every founder and entrepreneur. It just doesn't feel like you're on the same page with them. Especially when you weren't focused on EBITDA last year because you were reinvesting in growth and hiring new people.

That's the disconnect I see most often with founders, which is why the numbers can be pretty far apart.

The question you should be asking yourself is at this point is if you would sell your company for ANY number you placed on that field. If the answer is no, you're in excellent company. About 90% of people, when they do an exercise like this, would say no.

Hell no, maybe!

They think to themselves, "I would never sell my company for that."

That's great.

If you did the exercise and you thought, "Yeah if someone offered me 1.5 times revenue or 10 times EBITDA and that's in line, or maybe even passed my Yes Enterprise Value, I'd sell for sure." That's awesome, too. You should be very happy and feel very content because you're in a great spot.

Here's the thing, though. You still can and should add money to your exit because that number is just a baseline, in my opinion.

Now, I don't just want to be the guy who tosses cold water onto your face or a wet blanket on the realities of the process. There are companies out there defying the odds. Most people have heard about many of these high-profile kinds of outliers because they get covered by the media, which also conspires against realistic expectations for founders.

You hear about these outlier scenarios where a founder had some incredible exit. They were just getting started, and someone bought it right out of their dorm, even though they're not even profitable yet. They sold it for a crazy amount of money. They seem unrealistic. And, some of

them are. But, some of them aren't.

I tell my ExitDNA members this week after week. Scenarios like those can happen. They should happen. It's what you should believe and want and go make happen.

But it's not going to happen on its own.

Companies are not bought. Companies are sold.

If you wait for someone to buy, or if you go out and try to sell but don't stack your deck for a sale, I can guarantee if you get the exit, it will be someone coming in and saying, "Hey, Jill. Hey, Jim. Great business. Love it. I'll give you 5x EBITDA. 1x revenue. Sign here."

I hope you understand what I'm getting at. You can have an exit that exceeds the norm, but it's going to require intentionality and a little bit of know-how.

Here are few companies in recent history whose exits exceeded the norm.

- Microsoft purchases Yammer for \$1.2 billion (40 times revenue)
- Yahoo purchases Tumblr for \$1.1 billion (85 times revenue)
- Google purchases division of Motorola for \$12.5 billion
- Facebook purchases WhatsApp for \$19 billion (almost no revenue)
- Uber purchases Postmates for \$2.65 billion

Probably the most extreme on that list in recent history is Facebook purchasing WhatsApp for \$19 billion. WhatsApp had almost no revenue and an incredibly small team. It seems like there's some massive disconnect, doesn't it?

Some people, for some reason, are not only getting to the exit door; they're making their exit multiples incredible compared to that valuation kind of math we just did.

Remember, *the average companies were sold for was 4.7 EBITDA, not just revenue. But the companies on that list are anywhere from forty to eighty-five times revenue. Totally different stratosphere!*

So, what's different from these companies versus the average company sold?

Why were their sales so above average?

What's their secret?

It's actually a simple concept.

Every example on that list has at least one thing in common.

Those companies were all sold based on their strategic value to the buyer.

Not one of them was a financial deal.

No one sat in a room and said they were willing to pay eighty-five times revenue. They were willing to pay that amount because they were sold on the strategic value. It wasn't until later on that someone did the math and figured out, by the way, it's eighty-five times revenue.

This concept proves a statement I believe all of the way down to the very core of my being:

Companies are not bought. Companies are sold.

And yours can be one of them.

CHAPTER 2

4 CRITICAL SHIFTS

Critical Shift 1: Focus On Strategic Value

Critical Shift 2: Develop An Irresistible Exit Story

Critical Shift 3: Find The Best Buyers

Critical Shift 4: Proactive, Not Reactive

We've established that there are companies out there that are defying the odds. They're clearly off the chart. Normal companies are all still on the Football Field of Valuation, and then these companies are already in the parking lot ready to speed off in their new Maserati.

In this chapter, I want to focus on what they're doing differently. I know for a fact, based on all of my experience working with companies, that there are four shifts a founder has to make to enter into the stratosphere of companies who are having exits that blow past the norm.

The tragic part is that I know the majority of founders reading this book won't make these four critical shifts.

They'll keep working hard.

They'll keep their heads down.

And someday, they'll wake up in the future still in the same position on the field as they are today.

I also know some of the founders who read this are the type who won't settle for less. Those are the founders I'm aiming to inspire with this book. I believe very strongly that if you do these things, you will change the trajectory of your business.

Which I'm sure at the end of the day is what you want.

You don't want to be forced to sell your company.

You want to have the option to sell it.

And when you do decide to exercise that option, you want it to be on your timeframe, on your terms, and at maximum value.

That's exactly what I want to help you do with these four critical shifts.

CRITICAL SHIFT 1: FOCUS ON STRATEGIC VALUE

The first shift you need to make as a founder is to focus on strategic value. I can't emphasize enough how important this first shift is.

Most, if not all buyers (certainly the best buyers) that are looking for companies are rarely trying to buy revenue or cash flow.

Don't get me wrong. It's nice to have those things. No buyer will say no to them, but they're not the primary driver.

You need to start to look at your business to find intangible assets because that's what will drive up your value. You need to identify as many forms of these value drivers or intangible assets as possible to stack value.

This next part is crucial for you to understand.

Everything that you've built may be great for today. It's great for bringing in cashflow and whatever goals you have right now. Awesome. That's a great place to be as a business owner.

However, as a business owner preparing for an exit, you have to understand that what makes you money right now in your business won't necessarily be the primary drivers that make you money when it comes to an exit.

This is why starting to identify and implement ways to stack value is so important for founders, even if they don't think they will be selling in the near future.

WAYS TO STACK VALUE

When it comes to stacking value, you want to be finding ways to add and track these things.

- **Unique products and services**

- » **Buyers want something you built that they can't get anywhere else. Something that doesn't exist anywhere else on the market.**

- **Brands**

- » **Maybe the buyer has an excellent product or an awesome manufacturing process, but their brand is old and stale. Perhaps their brand has lost its relevance and cultural acceptance. If your brand is hot and exciting, it could be a match made in heaven.**

- **Intellectual property (copyrights, trademarks, patents, and trade secrets)**

- » **Buyers are most always interested in any and all forms of intellectual property copyrights, trademarks, patents, and trade secrets. These are all things that you can do and develop that protect unique things in your business that buyers want. They'll pay a premium for those.**

Most founders and entrepreneurs don't spend nearly enough time thinking about intellectual property. Intellectual property in all its forms tends to be low-hanging fruit that a lot of people miss or are dismissive toward.

- **Powerful, unique, and/or proprietary distribution**

- » **If you have powerful and unique distribution that can be very valuable to a buyer. Many buyers are trying to find ways to reach new customer bases, new personas, and new avatars. More powerful and unique distribution channels will always pique a buyer's interest.**

- **Loyal customer bases**

- » **A fantastic and loyal customer base is very valuable. If people rave about your product, if they stand in line at the grocery store and talk about it, that loyalty and that kind of customer base will incentivize buyers.**

- **Exclusivity (contracts, agreements, suppliers, etc.)**

- » **This one has probably served me better than just about any of the others on this list. If you have exclusivity in the form of contracts**

or agreements, if you have unique suppliers of raw ingredients or materials where you have unique long-term distribution deals that are contractually obligated, at the end of the day, that type of exclusivity is what buyers want.

Especially if you have something before everyone in the world knows about it. If you're able to lock that distribution, supply chain, or whatever it is, down with an exclusive agreement, that can be worth a tremendous amount.

Founders will often ask me what the most important asset on this list is.

The answer is all of them.

You need to start to look at your business and find those intangible assets to identify as many forms of these value drivers as possible.

You need to do what I call stacking value.

It's not just one thing.

It's not just the trademark or the brand or the distribution, patents, or anything else on the list.

It's the fact that you have these things stacked together to make your company's story more powerful and compelling.

It's like building a balance sheet of strategic assets similar to your financial balance sheet.

WHY STRATEGIC VALUE MATTERS

Regardless of what buyers lead with or what valuation metrics they start talking about, whether it's EBITDA or revenue multiples--this is where the real deal gets done. The deal gets done based on these strategic drivers.

I can't tell you how many times I've been presenting or talking to a group of people about strategic value, and inevitably someone there will lean back in their chair and tell me what buyers really care about is EBITDA or revenue.

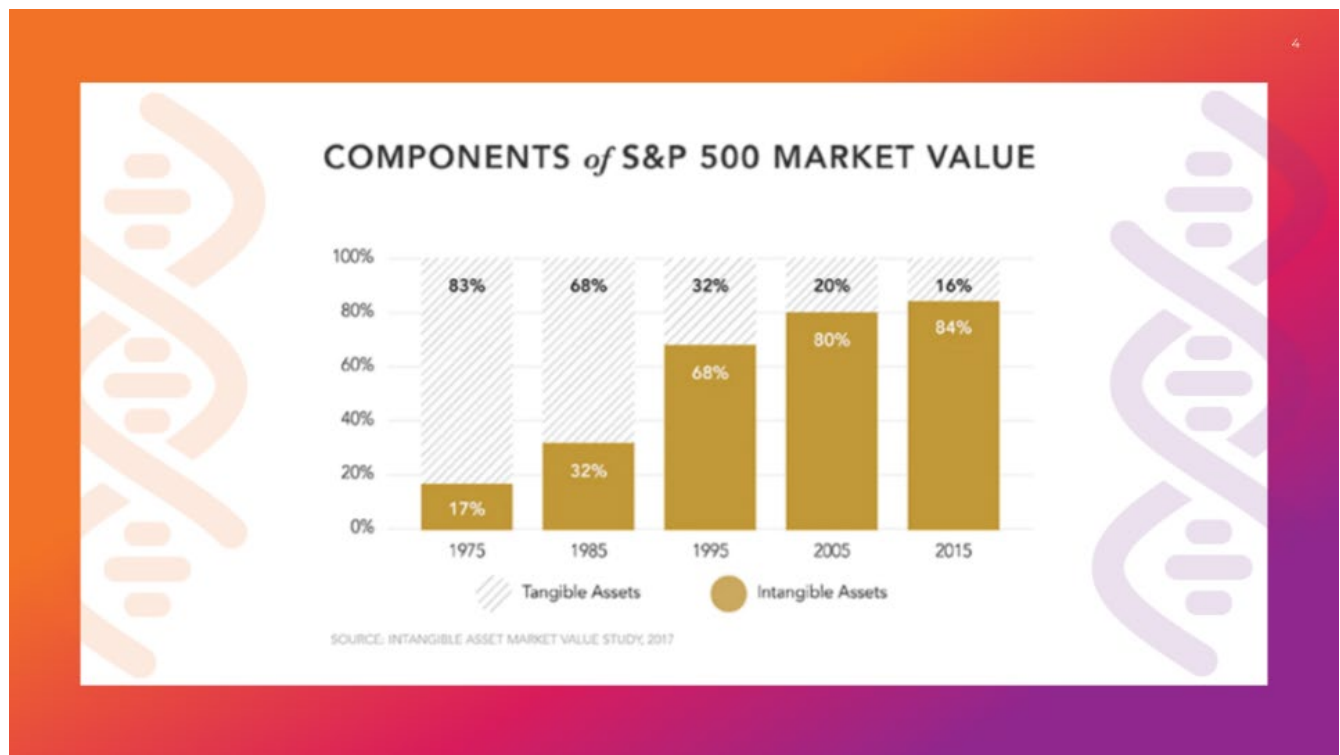
They'll say people don't care about this intangible, fluffy type of value crap.

Wrong. Wrong. Wrong.

And wrong.

I can prove it.

This chart shows the difference in market value in companies over thirty years with tangible and intangible assets.



Do you want to take a guess at what it was in 2020?

90% of the value of the S&P 500's most relevant companies on the stock market are based on intangible assets.

What are intangible assets?

Things like brands, copyrights, patents, formulas, and trade secrets. Not plants or equipment or real estate. This proves that intangible assets are not fluff.

In today's market, they are a real value.

In the ExitDNA program, we have a four-step process we take people through to help them identify and develop strategic value. This process helps people identify hidden assets within their company. If these hidden assets are appropriately identified, and founders build them out and optimize them, a normal product line will suddenly become a proprietary trademarked product.

Why is that important? Because that proprietary, trademarked product has a lot more value than the dollars it represents in revenue or EBITDA. It's a big shift in thinking for most founders, especially those who think the "fluff" in their company isn't worth much, when in reality, it's bigger and more valuable than the metrics they've been staring at for the last five years.

Most founders aren't aware of the strategic value that's already in their business.

Week to week in Exit DNA, much of what we're doing for founders is pointing out the value that's been there all along. We point out the value they have missed because their focus has been locked onto things like profit and gross margins, market share, and EBITDA.

It's not wrong to be focused on those things. I don't want founders to take their eyes off the ball, but I want them to understand that there are all these other forms of strategic value that can be stacked up that will lead to bigger and better exits and true enterprise value. These forms of value can not only add to what you're doing financially; they might even far exceed what you're doing financially.

I know this is a big shift, but it's a critical one.

We've already done the math, and the Football Field Valuation will show you how the market will likely value your company. You could go out right now on your own and try to get a sale.

You could even possibly get 15x EBITDA or 4x revenue. Deals like that sometimes happen.

However, what I know to be true is that if you sell your company based on financial metrics, you will be leaving money on the table.

Even if you get a great deal above industry average multiples across the board, you will have left money on the table by not selling your company based on strategic value.

WHAT TYPE OF BUYERS BUY STRATEGIC VALUE?

Most founders picture the universe of prospective buyers as being two distinct types.

There are the Strategic Buyers and the Financial Buyers.

They tend to think that financial buyers use math and strategic buyers use other things to make decisions. That's not really the case.

Even Financial Buyers who are very analytical will tend to make decisions based on strategic value. The reason they decide to move forward and what they are willing to pay you is because they believe you have done something unique. They believe that by taking that historical cash flow that you've shown and then putting their brilliant minds and balance sheets behind it, this unique thing you've developed will be able to go further faster in the future.

It's at that moment when strategic value makes all the difference in the world.

If they're evaluating four companies, all of which are doing \$1 million EBITDA, how will they decide who to buy? They're going to buy and probably pay a little bit above average multiple for the one they think has a proprietary product that has a unique distribution and a brand that resonates in the market.

Even Financial Buyers are really trying to buy strategic value, but the language they use often gets heard by founders as math and Excel and spreadsheets. This is why this shift is so important for entrepreneurs and founders.

You are the one who will drive and dictate your company's strategic value.

You help Financial Buyers see past the spreadsheet.

You help them see that the reason you've been able to generate outsized EBITDA over the last two years is not because of financial engineering but because you have a proprietary product or a very cool or unique distribution channel.

You are the one who sells them your company's strategic value.

CRITICAL SHIFT 2: DEVELOP AN IRRESISTIBLE EXIT STORY

Here's the next shift founders need to make. If you want to have an incredible exit, you need to craft an irresistible exit story.

This is something I learned from my mentor. Over the years, we would talk about the arc of our business, and he would say to me, “Mac, every business has an arc. Your job as a founder and CEO is to change the arc. You're responsible for growing it faster and making it steeper.”

When most founders start talking about their company, particularly when they're speaking with prospective buyers or investors, they only really talk about the historical performance and the specifics of the business at the present moment. They talk about the last twelve months, or last few years, to show the business' arc.

The reality is when you're discussing your business with prospective buyers, what you want to illustrate is potential.

It's not enough to talk about where you are, or where you were last year, or ten years ago.

You need to talk about where you're going and how likely it is that you're going to get there.

That is where the conversation shifts.

The most powerful way you can do this as a founder is to sell the future.

Buyers want to buy businesses that have a great history. Right? Everyone knows that. And it's true. They want to buy companies that have experienced growth quarter after quarter.

But, when it gets real attractive for a buyer is when they can start to see what the future looks like for the business.

My good friend used to refer to this as the Mac's X Factor. The excitement jumps off the spreadsheet and gets the buyer to envision your business's potential future as if the deal is already done.

You get them to start picturing what it will look like when they own your products.

When they have your team, your brands, patents, and trademarks.

You don't create that excitement in the buyer by talking about where you were last week, last month, or last year.

You have to get them to see what's possible when they own your business.

Here's the reality: *every buyer, every private equity firm, every big investor and executive in the S&P 500, and even in regional companies-- they're looking at your business thinking they can do it bigger and better.*

Use this to your advantage.

Play off of their ego.

In some ways, they're probably correct. They have more resources, more connections, more bandwidth. Don't let them figure that out on their own. Show them what a future will look like when they own your business.

Show them where you're going and how valuable it will be for them if they own your business. Let them know how you plan to get to this extraordinary future on your own. And then point out how much greater it could be if they own it.

USE THEIR MATH, NOT YOURS

This is a really common mistake I see almost every day when I work with founders. It's natural as a founder, when you think about your business arc, to paint the picture of it by using your math. You don't have to do that.

Remember, *your buyer isn't limited by your current numbers.*

Let me give you an example to illustrate how powerful this shift in thinking can be when painting the picture of your business's arc.

Let's say, for the sake of illustration, that you're talking to a buyer who has

fifteen salespeople. They're really itching to get your products. The buyer is confident that their salespeople will be able to go out and really sell them. Which is why, more than likely, they're interested in buying your company.

In this example, let's say you have three salespeople.

Your buyer has fifteen. Your team only has three.

Over the last 12 months, your three salespeople each sold a million dollars of your core product, which resulted in \$3 million in sales for your business.

When they are painting a picture of the business arc for the buyer, most founders will start talking about the \$3 million in sales. That's a very natural, logical next step for most people. They're using their math to let the buyer know they're basically giving them \$3 million in sales.

That's an absolutely fatal mistake.

There is a huge issue with illustrating the arc this way.

You're using your math, not theirs. You're talking about 3x \$1 million. Remember, the buyer has fifteen salespeople. The second the deal closes, the math is now 15x \$1 million + 3x \$1million. The second the deal closes, they have \$18 million in sales. You are giving them \$18 million.

You've been constrained as a small company.

You've faced resource constraints.

You haven't been able to afford the best sales training.

But they have the resources (and they'll believe they can do better).

Their team is better prepared than yours to maximize sales.

Remember, this is about playing to their ego.

The place I see this most often where it's easiest to leverage this kind of math is with public companies. They come in and offer to buy your company and pay 20x EBITDA. You get that offer and think it's the most amazing offer you've ever seen. After all, everyone has been telling you to

expect 4x or 5x EBITDA.

You think this is a no-brainer.

It's a done deal.

If you just took five more minutes to look at their stock price, you would see they're trading at 47x EBITDA. The minute the deal closes, the revenue, the EBITDA you're handing them is now getting counted at 47x.

Now, no one's going to pay you 47x times EBITDA on that deal. However, understanding that gap will help you better negotiate. You don't need to get all of the 47x; you just need some of it. They offer 20x and they're trading at 47x. Get them to meet in the middle. Go for 32x or 35x. Use their math, not yours.

PAINT THE PICTURE

All of this comes down to helping a buyer see a deal that's so positive they cannot stand to walk away. Another way to break it down is to show how their resources will enhance your strengths and resolve your weaknesses.

You use their math and show them how you did \$3 million in sales with good salespeople, but now with their salespeople and training your people, they will have \$18 million in sales. Help them imagine all of your teams sitting together with their resources, sales training, VPs, and software. You show them how what is already a strength for you is even better in the future with them.

Then also show them how your weaknesses will be solved and shored up with their teams and resources. Maybe they really like your business but are worried because your inventory levels are low.

If that's the case, point out to them how you're constrained by a small company balance sheet. Point out to them how you don't have the money to acquire in bulk from China. Point out how you don't have the ability to bring in massive quantities and get quantity discounts.

But, with their balance sheet, now orders can be placed at scale, right?

All of a sudden, what was a weakness for you, you're helping them see all

of that goes away the second the deal closes.

Explanations like this help them to see your strengths will only get better and the weaknesses they're likely going to try to use to reduce your value; those will actually go away once the deal closes.

CASE STUDY - KYCK

The easiest exit is to sell what the market wants to buy. It's really difficult and costly to educate people on why they should care about your product. But if you're selling something they're already looking for and already want to buy, that's the easiest sell.

I want to give you a case study of what I did with one of my companies to illustrate how to develop an irresistible exit story.

My fifth company was a business called KYCK. It was a software business focused on youth sports. Given my passion and background, we started in youth soccer. It was something I was personally vested in when we started the company, and I knew we could help solve a real problem my family had experienced first hand.

So, what we did is built this fantastic product set for youth soccer.

I'm biased, but I would say our software became the best in the industry very quickly. We got to this point with the company where we knew we needed to raise more money or sell the business.

We were evaluating our options because the space we were in had gotten pretty hot.

A lot of companies in the space were raising significant capital. We had raised a few million dollars. One of our competitors had raised \$50 million.

There were some real, big companies in our space.

So we were looking at what our options were.

We talked with a lot of different prospective buyers. As the process moved forward, it really came down to two primary prospective buyers in two different industries.

I want to show you how I told KYCK's story to both.

KYCK PROSPECTIVE BUYER #1

The buyer was mainly a mobile app company in CO that dominated the team messaging space with millions of customers. (I.E., texts about practices, who's bringing the water, etc.)

HOW I TOLD KYCK'S STORY: A leading platform for player carding, team roster building, etc. Imagine every time we create a new roster, the players and their family (and the coach) are automatically provided a link to download your APP, with pre-populated contacts. You win by default. Instead of getting one parent and hoping they convince others, you get a full team with us. And, by the way, we currently have about 25,000 teams using our platform.

You also are interested in entering the "registration space"... we have already built a registration platform.

I knew that this company was growing by finding a mom or a dad on the team to use their app. Then, that mom or dad would have to convince all the other parents, the coach, the manager, all to download it and use it. They were able to do this to grow organically, but it was a very slow process.

I was able to go to them and say, "Hey, if you work with us every time we build a roster, I already have all their data, their phone numbers, and email addresses. We can just give them a link to populate your app automatically. Oh, by the way, we have 25,000 teams currently on our platform."

I said all of that, and then I knew they were interested in getting into the registration space, so I was able to say, "By the way, we also have the answer to your registration interest."

That was how I painted the picture for buyer number one.

KYCK PROSPECTIVE BUYER #2

Buyer number two was a large tech media company interested in reaching the youth sports market because their current offerings were

not appealing to that segment.

HOW I TOLD KYCK'S STORY: Soccer is the largest sport in the world. You dominate the market when it comes to pocket, basketball, and other sports, but you don't own the soccer space. You have a tremendous sales force, but to get into the soccer space, you will have to have that vast sales force cold call the 9,000 youth soccer clubs in the US. However, KYCK currently has 6,000 of those clubs on our tech stack through an exclusive relationship with a player carding provider. With KYCK, you can upsell to them right now.

We also have a few other massive (and exclusive) relationships that we don't have the resources to take advantage of. But you do.

In both of these stories, I'm talking about the exact same company, KYCK.

Same product offerings.

Same team.

Same assets.

The only difference is the way I'm telling the story to help them see a different future. I'm drilling down into the ways they can leverage what I've built in a way that specifically benefits them.

At the end of the day, both of these companies were very interested.

Both could see a future where they were not only stronger but perhaps the market winners with KYCK.

As we began our process, we were also able to add in the risk that one of the two would get us, which meant the other would have to compete with us. That helped the bidding/negotiating become much more valuable.

Ultimately, we sold the company to NBC Sports (Buyer #2), who was the market leader. They bought the company for the reasons noted, but the single biggest factor was the unfair advantage we had with our exclusive partnerships.

There are two reasons I'm giving you this case study.

First, I think it shows you how you can take your core offering and

articulate the story based on a future state that would benefit the buyer.

The second reason is all of that software we built, which to this day I think was the best in the industry; some of it was literally turned off the day after the deal closed.

They didn't care about the millions of dollars I had put into building the best software in the industry.

They didn't care about the sweat equity my team had invested into the software over the years.

What they wanted was the exclusive relationship I had contractually locked down. The exclusive relationship that gave them 6,000 clubs as customers.

That single sheet of paper was worth millions of dollars.

That's why strategic value matters.

And that's how your irresistible exit story can lead to increased exit value.

THE KEY IS TO HAVE OPTIONS

I can be guilty of painting founders and entrepreneurs with a broad brush. There are lots of nuances below that in terms of the psychology of an entrepreneur.

If you look back over my career, it's probably pretty easy to see that I didn't treat my companies like they were my firstborn.

I recognize that that is not how every founder or entrepreneur views their work.

I understand that many people build this company or this specific product or service, and it represents their blood, sweat, and tears. It represents years of their life. And the prospect of selling it and the buyer killing off something in the company is heart-wrenching to them.

That's why I encourage founders to seek optionality.

You want the option to sell on your timeframe, on your terms, and at maximum value.

I always list those three options because you should have the right to say, as a founder, that there is a criterion you care about as much as money.

It could be that the team you've assembled gets to go forward with the deal for ten years.

It could be that the name of the brand is maintained.

Whatever you choose.

For me, I wanted to maximize value in the exit. Don't get me wrong. I loved what we did. I loved the brand. I loved my team and the products. To this day, I still believe our software was the best in the industry, even though most of it was shelved.

The criteria for me wasn't on the software surviving. It was to land the company somewhere where my shareholders could get maximum value.

I'm telling you this to let you know that you want to have the option to choose what matters most to you.

In another one of my exits, I sold a company called Mountain Khakis (More on this one in a bit). When it came to this company, we looked for a buyer who wouldn't just kill the brand. We felt strongly that one of the things we loved seeing was Mountain Khakis out in the world.

We were in more than 1,000 retail stores at that point. We wanted to still travel to New York or Denver or wherever and see a pair of Mountain Khakis on someone in the street. It meant enough to me that I would have taken a lower financial deal to make sure the buyer didn't kill the brand.

This is why it's so vital for you to control the narrative so that you can decide which of those variables you care about most. This, again, is why stacking value is so significant. It provides you the option to choose your variables.

If you haven't developed multiple types of strategic assets, you won't be able to court multiple types of buyers. With KYCK, we were courting buyers that were interested in us for very different reasons.

If I had taken KYCK and gone to all of these different players and said we had the best registration tool on the market, I would have had one or two

who were excited about it. The rest would have said they're not looking for registration tools.

That would have been the end of the conversation.

But that wasn't how it played out.

I knew in advance what each buyer was interested in. I had developed a metaphorical "takeout menu" of sorts like at many fast-food restaurants.

I was able to go to them and show them all of these assets and see which ones we thought they wanted.

From there, I was able to craft a compelling exit story to help them envision a big future state if they acquired us.

The key takeaway I want you to get from KYCK is how important it is to develop an irresistible exit story, which means helping the buyer see what the future will be like when they buy your business.

Paint the picture of what it will look like for them when they own your assets, your intangibles, your brand.

Frame it for them.

Don't assume they'll do it on their own.

CRITICAL SHIFT 3: FIND THE BEST BUYERS

Let's go back to those companies who are defying the odds when it comes to the value of exits. There's a common thread that runs between them that I want to show you.

Here's the list of companies we looked at earlier who had exits well above average value.

- Microsoft purchases Yammer for \$1.2 billion (40 times revenue)
- Yahoo purchases Tumblr for \$1.1 billion (85 times revenue)
- Google purchases division of Motorola for \$12.5 billion
- Facebook purchases WhatsApp for \$19 billion (almost no revenue)
- Uber purchases Postmates for \$2.65 billion

The common thread through all of them was the buyer was trying to enter into a new market.

Let's talk about Google.

Google purchased a division of Motorola for \$12.5 billion. Everyone knows Google does not need revenue at this point. They have more cashflow on their balance sheet than they could spend in a millennium. This was not a financial deal. It was strategic.

Google wanted to enter into the mobile phone market. What's the fastest way to get into a market? It's not putting a bunch of engineers in a room and giving them two or three years to get up and running.

Google was asking how they could get into the phone market the fastest, and Motorola answered that question for them, to the tune of \$12.5 billion.

I tell this all of the time to founders who are looking to sell: one of the best buyer categories is buyers who are trying to enter your market but haven't found a way in yet.

Those are the companies that more often than not will pay the single biggest premiums because they're not in your market. They want to be in it. They know they have to be in it. Something has occurred that has made that clear as day to them. So, now, they're willing to pay to get there.

It's a really important, very lucrative category of buyers.

How do you find these types of buyers?

One big, but common, mistake most founders and entrepreneurs make when they decide to sell is to focus only on one or two categories.

Usually, their single focus falls on their own industry.

For example, *let's say Jane is the founder of a supplement company. Her product is vitamins and supplements. She's doing \$10 million in revenue. She's probably inclined to think the best buyer will be found by approaching a \$50 million or a \$100 million supplement company. That would seem to be a natural, obvious buyer.*

The first mistake would be for Jane to focus solely on this category.

Maybe Jane doesn't fall prey to the first mistake. Maybe she thinks a bit more broadly and decides to also approach buyers like GNC because they're in both the retail and manufacturing side. That could also seem like a very natural and obvious fit.

This is where most founders stop when it comes to looking for categories of buyers.

As we saw with the examples on previous pages, the biggest and best multiples almost always happen when someone is trying to break into your market.

MOUNTAIN KHAKIS CASE STUDY

Let me tell you more about Mountain Khakis as an example.

We started a company in outdoor apparel industry. Initially we focused on pants (think: pants designed for hiking, fly fishing, camping, etc.) and then expanded into full lines of flannels, sweaters, jackets, and other common clothing types in the outdoor industry—our competitors were brands like

Patagonia, The North Face, and Columbia.

We had a really great brand that was resonating with consumers. It was growing fast. We were in about 1,000 retail outlets in the United States. Quite quickly, we were outselling Patagonia and The North Face in the category of outdoor pants.

Eventually, it came time for us to look at our options. We were debating on whether or not we wanted to raise capital to compete with these larger brands or if we wanted to sell the business.

We opted first for the path of least resistance.

We talked to Patagonia, Columbia, and The North Face. They were all interested, but they also all knew how challenging the industry could be. They were well aware of how fickle consumer behavior can be. They knew all of those things.

Seemingly out of nowhere, we discovered that Remington, the gun and ammo company, was interested in entering the outdoor market. They were looking to diversify away from guns and ammo. They needed a national brand to put a flag in the ground to say they would be in the outdoor industry.

After we met with the chairman at Remington, we discovered that they loved the Mountain Khakis brand. It was a great fit for their mandate and their goals.

Here's the kicker: because we met with a potential buyer who wanted to enter our market, we were able to sell just 75% of Mountain Khakis to them for 2x what we were offered from the buyers in our industry.

This is another one of the things we dive deep into in ExitDNA. We teach people how to open up the aperture and expand their line of sight to see potential buyers they likely had never even considered.

Since I'm not in a class with you right now, I thought it would be helpful to give you some starting points. Ask yourself: "Who wants to be in my market?" And then to help you get started, consider some of the following categories.

WHERE SHOULD YOU LOOK FOR BUYERS?

- Competitors
- Vendors
- Suppliers
- Customers
- Public Companies with Broad or Tangential Industries
- Private Companies with Broad or Tangential Industries
- Consolidators (Conglomerates, Diversified Holding Companies)

First place to start, of course, is with competitors. Businesses that are larger versions of yourself who are looking to diversify for whatever reason. You should also be looking at your vendors or supplies.

In many cases, you'll find very large suppliers that don't have the brand or the distribution or all of these really cool, sexy things that are quite valuable to them. And yet, they may have a \$400 million balance sheet and all kinds of opportunities. They just need a brand. You can be the answer for them.

In some cases, your largest customers can be a great category of buyers. At one point with Mountain Khaki, we talked with Orvis and REI, who were sellers of our product. They were customers of ours. They could have been buyers of Mountain Khakis.

At certain sizes buyers can include:

- Prospective Executives
- Family Offices
- Individuals (UHNWI)

The other thing I often tell founders is not to dismiss high net worth individuals. I've met several individuals who have made tens of millions of dollars in their careers over the years.

Sometimes people like them get into their forties or fifties and want to change careers.

They want to become an entrepreneur.

They have never owned their own business.

But they want to.

And for them, writing a \$10 million check isn't inconceivable if it means buying an existing business or product to get started. Many times, it's very attractive to them.

They represent a potential buyer category up to a certain level. In my experience, it's usually up to about mid-eight figures.

KEY STRATEGY: STACKING THE DECK

Now, I know having all of these different categories of buyers and individuals can get really confusing. This is why I created a simple spreadsheet that I believe is solid gold. I've watched it deliver an incredible return on investment for those who use it.

If you haven't already gotten your copy, you can download it at this link: <https://exitdna.com/solid-gold>

What this spreadsheet does is helps you create a list of prospective buyers in different industries over time. It will help you think through the appeal of the different assets and relationships you have for potential buyers.

The spreadsheet uses things like your Customers.

If you're in the supplement industry, your competitors may not care so much about your customers, but a company in the health media business probably would.

It uses things like Geographic Expansion.

I have sold several companies where the buyer was based in Europe and wanted a United States presence. Other times buyers were based on the West Coast and needed a presence on the East Coast.

Products are another big piece of this spreadsheet.

It's very common to find a buyer who has an amazing portfolio but wants to add great products to that portfolio.

Sometimes acquisitions are driven by key hires. Maybe you have an amazing engineering team; perhaps you have world-class product

developers, innovation, R&D folks.

We've already talked at length about Intellectual Property. That's a massive driver of acquisitions.

This spreadsheet helps you stack and track all of these things to serve as a roadmap for when you decide to sell your company. It helps identify all the different categories of buyers and the companies with them and, more importantly, why they would be interested.

This spreadsheet will help you pull together that irresistible exit story.

The key strategy is always looking at your business in terms of how many different ways you can add value to a buyer.

If you develop this spreadsheet and understand that there are people in the market looking for assets, products, and services, that's how this spreadsheet connects the dots for your irresistible exit story.

The more things you can stack, the more dots you can connect for buyers, the better your irresistible exit story will be.

People often ask me about ROI when it comes to Exit DNA. I'm always upfront with them and let them know how hard it is to gauge because of principles like these.

It can be anywhere from 10x to 100x given how we price our program.

It's nearly unheard of that someone isn't adding hundreds of thousands, if not millions, to their exit value simply because they had this one name on a spreadsheet with one big reason that bubbles up in the process and leads them to a path that they wouldn't have considered on their own.

A big piece to finding the right buyers is knowing what you have to offer.

START TRACKING TODAY

I recommend this action all of the time to founders. I think it's the biggest no-brainer and literally will take you 15 minutes a day at most. Here's what you need to do.

Build a list of people that you think might be interested in buying your

company in the spreadsheet.

You don't have to have any idea if they're legitimately interested or if it resonates, or if they even care.

Just build out the list.

Then track what they're doing.

One great little hack I recommend for people is to go to [google.com/alerts](https://www.google.com/alerts) and set up an alert for any and all potential buyers. Then, just set aside 15 minutes a day to read through any relevant press releases or news that comes from those Google alerts.

I can all but guarantee you that they will telegraph to you where they're headed over the next couple of months.

They'll tell you what they care about, what's next, what they're gearing up to do.

The minute one of those things matches up with an asset you built, or something useful you possess, that's when you've found your hook.

That's the power of finding the best buyers.

THE 8 AM TEST

Before we move on to the last critical shift, I want to play out a scenario with you.

Imagine it's a sunny Thursday afternoon.

You're already thinking about the weekend ahead.

You know tomorrow will be an easy Friday.

You've got your weekend plans already set up.

Maybe it's a trip to the beach, golf, or lounging with your family.

Mentally, you're already at the weekend.

And then you get a phone call that plays out like this.

YOU: Hello, how can I help you?

JOHN SMITH: *Hi, this is John Smith. (John, who you know by name only, is the CEO of your largest competitor and the industry leader). I'm going to cut to the chase. We are interested in buying your company. Before you respond, I want you to know that we are prepared to pay in cash and we can close in as little as 30 days. We are ready to pay above industry average multiples. We're very serious about this and would like to make it happen. Are you interested?*

YOU: *Wow, John. I have to admit you're catching me off guard, but I'm flattered. Yes, I would certainly be willing to learn more. Should we schedule a meeting? I could do something the week after next for sure.*

JOHN SMITH: *Well, that's the catch. My CFO and I are actually in town, and we have to start diligence tomorrow morning at 8 am, or this is a no-go.*

How do you react?

Remember, it's Thursday afternoon.

You're already thinking about the weekend.

And here they are with a potentially life-changing deal, and they want to be in your office at 8 am tomorrow morning.

Almost every entrepreneur, even those who are pretty organized, would say I'm not ready. We're not prepared.

Which I completely understand.

I'm not an incredibly organized person.

What I want you to imagine, though, is what if you were not only okay with them showing up, but you were ready to share your irresistible exit story with them?

What if you're confident because you know you have your T's crossed and your I's dotted?

You know you're set up with that well-developed exit story.

Imagine how impressed they'll be when they walk into your office that morning.

They were walking in expecting you to be caught off guard and on your

heels, and here you are, catching them off guard.

Most founders put in a situation like this will either say no and miss the opportunity or pull an all-nighter with the executive team to do everything humanly possible to be ready, only to still fall short and not be able to maximize value.

Being ready to sell at maximum values means you have options.

Even if the call comes on a Thursday afternoon for a Friday morning meeting.

CRITICAL SHIFT 4: PROACTIVE, NOT REACTIVE

In many ways, this is the most critical shift for founders and entrepreneurs to make.

Albert Einstein once said,

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.”

The reality is that the little changes you can (and should) make now will compound to significant outcomes in the future.

You can begin to do little things right now that will compound into colossal value in the future.

THE POWER OF THE EXIT LENS

The concept of ExitDNA wasn't a random idea for me.

It wasn't until after my sixth exit that I finally took the time to look back over the twenty-five years of my career. I really took the time to study what worked really well and what didn't. I thoughtfully evaluated what led to the best outcomes across decades of companies and situations.

When I did that, I found a really, really interesting thread that I did not expect to find.

The best decision we made across all of those companies, the decisions that led to scaling faster, that freed me up personally, all of it came from looking at our companies through the lens of a prospective buyer.

What I call the Exit Lens.

A shift occurred when we started to intentionally design our companies by thinking proactively about exiting, even when we weren't ready to exit, even when we didn't know if we'd ever want to exit. Even when we weren't

sure if we would raise capital or bootstrap it or stay the course.

Everything shifted in each of those companies when we decided to proactively design and make decisions so that the company could be sold. It was a thread I found occurred in every one of those companies. And I only saw it looking backward.

So, how do you use the Exit Lens?

You have to start asking what I call ExitDNA questions.

Anytime you have a major decision to make: a new office, a new hire, or you want to launch a new product. Anytime you're thinking about getting a line of credit from the bank. I don't care what it is—any major decision. You still use all of the standard criteria to make the decision.

You pull your executive team and your mentors, advisors, spouse, all that same stuff. But, in addition to those things, you look at the decision through the Exit Lens.

You ask would this decision decrease or increase dependency on me personally?

Why?

Because if you're going to sell your company, you don't want the company to be you. You don't want the buyer to say the only reason I'm buying the company is you. Because then they're going to want you to sign a 10-year non-compete and a 10-year employment agreement.

You want the business to look like it runs without you.

You want it to be so systematized, so automated, so thoughtful that it runs without you so that you can have the option to step away.

Decisions that decrease dependency on the founder benefit the founder, but they also make the business more valuable because it is not reliant on that key individual.

Office expansion is another common example that should always be evaluated through the Exit Lens.

Your business is growing like crazy. You're on the East Coast and think to

yourself about how you get a lot of customers on the West Coast. It sounds like the perfect time to open a West Coast office. Business-wise it may make sense.

But if you look at it and ask yourself if a buyer would like this decision, all of a sudden, that strategic decision of expansion just became a liability to a buyer.

An office lease is an obligation. It's a liability.

If I'm a buyer, I don't want to be obligated to a West Coast office. Maybe I already have one. I don't want a five-year agreement. I don't want to be tied up in an office lease.

By asking the office expansion question from the perspective of the buyer, it changes the framework.

Now, you may decide to move forward. That's all well and good. You don't have to let the tail wag the dog in terms of everything being because of the exit.

However, there is power in using the Exit Lens to look at your business.

I believe wholeheartedly that maximizing value requires you to be incredibly intentional.

This means it has to be something that becomes not just what you do but part of who you are.

That's why I named my program ExitDNA.

I believe it's a lot like mission, vision, and core values. Those things can be incredibly powerful. However, what many of us do with them is we have these amazing, generative experiences to bring them to life. We get all excited about them and their potential.

We print them out. We paint them on the office walls. And then we don't look at them again.

We don't make decisions by considering them.

We don't use them to influence what we do.

And when that happens, their value is basically worthless.

The premise with ExitDNA is the same.

If you read through this whole book and you got excited about what's possible, if you were excited reading how you can really do this, then you go back to work and don't do any of these things.

Guess what happens?

Nothing.

Those things you learned won't compound into value for you.

They're not going to change anything in terms of your ability to exit or the value you can get.

But, if you will take these concepts and weave them into the fabric of your organization; if you will weave them into the DNA of your company; if you start looking through an Exit Lens, what you learned will lead to great outcomes.

For most founders, this is genuinely like changing your DNA. It doesn't come naturally. And that's okay. But it's not an excuse not to do it.

I'm passionate about this because I know that even if you never sell your business, these shifts will have helped you build a better business.

And when you build a better business, people are going to want to buy it.

CLOSING THOUGHTS

One of the most important statements I want you to take away from this book is this: Companies are not bought. Companies are sold.

If you go back to what you were doing before you started reading this book, if you wait for someone to come knocking on your door to give you that dream, it's likely that you will keep waiting indefinitely.

I hope instead of waiting; you decide to take action as a founder.

I hope you take the initiative to create that outcome.

I hope you take hold of the power you have to drive the result you want on

your terms, on your timeframe, and at maximum value.

This doesn't mean it all has to be on your shoulders.

Many times, it can't all be on your shoulders. But as the founder, you have to be the one owning the outcome. You have to take ownership and start as soon as possible.

Here one last time, are the four critical shifts you must make as a founder to get the result you want from an exit on your terms, on your timeframe, and at maximum value.

1. FOCUS ON STRATEGIC VALUE

You have to shift your thinking to create strategic value. Your finances matter. I hope you're already doing awesome with revenue and EBITDA. Don't take your eyes off of that. You also need to be thinking of ways to stack strategic value.

2. DEVELOP AN IRRESISTIBLE EXIT STORY

Your irresistible exit story should be where you're going in the future and why people should care. Every single buyer is going to hear your business story, but more importantly, they need to hear why it will be so powerful for them when they buy it.

3. FIND THE BEST BUYERS

It is absolutely critical for you to know how to find the best buyers. Open up the aperture. Don't just go to your competitors who are bigger or to private equity funds. Take time to think broadly about buyers and, in particular, who might want to break into the industry you're already in because that's where the biggest buyers are often found.

4. PROACTIVE, NOT REACTIVE

You have to put on the Exit Lens and begin to weave it into the fabric of the organization these principles. You have to start making plans. You have to start proactively doing these things so they can compound into the kind of value you deserve.

You can have a dream exit.

You can maximize value.

And you can do it on your terms and timeframe.

All you have to do is take action.

And I hope you do.

CHAPTER 3:

**HOW EXITDNA CAN
HELP YOU DEVELOP
THE OPTION TO SELL
ON YOUR TIMEFRAME,
ON YOUR TERMS, AND
AT MAXIMUM VALUE**

I've talked to thousands of entrepreneurs and been on lots of podcasts. Everything I've already shared with you about in this book is actionable for you to do right now.

I hope you do that.

Most founders want or need help to go two or three levels deeper. Some join ExitDNA because they understand the concept of finding buyers but need help thinking it through when it comes to what buyers and how to tell their story.

Some join ExitDNA because they feel so trapped in their day-to-day business that the thought of adding on preparation for an exit feels overwhelming. They know they need that accountability and insight.

Some join unsure if they ever even want to exit but know it's more powerful to have that option available if the need or desire arises.

All of them have one thing in common: they understand how valuable and important it is to have the option to sell on their timeframe, on their terms, and at maximum value.

I believe our ExitDNA program is powerful because it's a year-long program, structured as a mastermind, with three components. But, before you say you don't have time, let me be clear: this program was designed by and for busy entrepreneurs. Every single member is busy and focused on building their business. ExitDNA was designed to be incredibly flexible (all live sessions are recorded and on our site and app 24/7. Our entire content stack is pre-recorded as well as delivered live (giving you ultimate flexibility and support).

During the first component, I spend eight weeks going through all of the content, lessons, and proprietary tools I've developed live in small group cohorts with Q&A. I frontload the program with a bunch of depth and worksheets and frameworks so that everyone understands it.

The goal is to prepare everyone to take action.

I think that component alone is excellent and really beneficial for people. A lot of founders tell us they feel as if ExitDNA pays for itself in 30 days.

I believe it's because these tools and lessons don't just result in better results for a sale; it results in a better business.

The other awesome thing about the way the program is structured is that once your cohort starts, you have the rest of the year to work with other founders, some of which are unbelievably impressive. I'm so flattered to have them building in our program. Some will go on to eight and even massive nine-figure exits.

It's a true mastermind environment.

One example of the power of this collaborative environment just happened in one of our recent cohorts. We have a founder who is an expert on hormone health for women. She has some products that are really, really niche and powerful. When it came to finding buyers, she ran into the dilemma most founders do:

Okay. I want to sell. But how do I find buyers who would be interested in what I have to offer?

***Of course,** her first inclination was that perhaps a large supplement company could be interested. Another potential option was to find a publisher for the book she had that had already done well. But beyond that, she was kind of out of ideas.*

We took five minutes to brainstorm with the group.

We went down this path and discovered that she has this incredible audience of 40 to 60-year-old women. It was then that the group discovered that OB GYN clinics who are struggling with retail and are looking for new revenue streams would probably love to have her audience. They could be an excellent buyer category.

The group came up with another potential buyer category: women's media companies like Oprah Winfrey's or Martha Stewart's. They would be a potentially great fit as a buyer.

Scenarios like these are why so many people opt to join mastermind programs like ExitDNA. All typed out, what I just described to you in this book may sound easy and obvious enough.

But most founders know how easy it is to suffer from tunnel vision and how valuable other eyes and minds can be.

Another component of ExitDNA that I love is we get to bring in all of these incredible experts.

We have intellectual property attorneys who will share ways to help people think through that area of their business.

We bring in financial experts as well as branding and storyteller experts.

We even bring in leadership experts, because we know that if you can become a better leader, you'll build a better team, which of course, leads to maximizing value.

What I hope you take away from this is that you need people in your corner to help you with this process.

ExitDNA may not be a great fit for you.

That's okay. I've been told many times that I will often sell against myself because I really don't care if anybody works with me as much as I care that they understand these critical steps and that they take action..

I'm not trying to sell to people as much as I'm trying to add value to founders because I've been there. What I want you to really consider is: What is the cost of NOT taking these steps? How many millions might be left on the table? What if you can't exit if and when you need or want to? The cost of inaction is extremely high.

More than I hope you join our program, I hope you do the things mentioned in this book.

I know if you do, they will create value for you.

And I hope you find someone to work with you to help you do them. Even if it's not ExitDNA, I hope you find someone, and I hope you find them quickly.

Because I know if you wait six to nine months to work with someone, you're going to miss out on six months to nine months of that compounding value.

We have people in ExitDNA who are at the very least five years out from a sale.

Some are ten years out.

They started simply because other people in ExitDNA shared how valuable it was, and they didn't want to miss out on the compounding value.

If you'd like more information on joining ExitDNA, all you have to do is

[CLICK HERE](#).

Spaces fill up quickly, so if you are interested, take action.

I hope to meet you soon.

Best of luck to you in your future business endeavors.

Mac Lackey