R&CO WEBINAR SERIES FOR AUTO DEALERS

Dealer Exit Strategies: Planning for a Profitable and Purposeful Transition

Presented by David Brackenbury and Paul Dumm

DEALER EXIT PLANNING ASSOCIATES
PROTECTING FAMILY, BUSINESS & OWNERSHIP

ROSENFIELD & Co.

Speakers

David Brackenbury
Founder, Dealer Exit Planning Associates

Paul Dumm
Firm Leader: Business Advisory Services, Rosenfield and Co.

Exit Planning Start To Finish

No two plans are alike.

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What We'll Cover

1. How to address family fairness and succession challenges in multi-generational dealerships
2. Why accurate valuations and cash flow insights are essential first steps
3. What today's high (and sometimes low) dealership values mean for succession timing
4. Estate tax considerations and liquidity solutions to avoid fire-sale transitions
5. The essential partnership between dealers, advisors, and CPA firms to ensure a smooth transition

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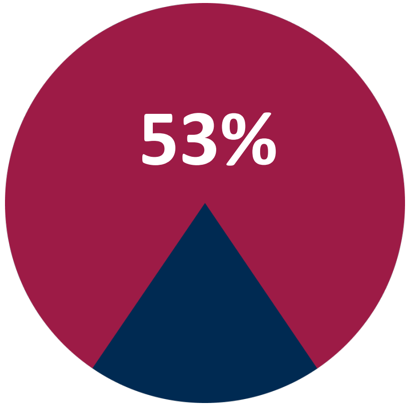
Exit Planning Overview

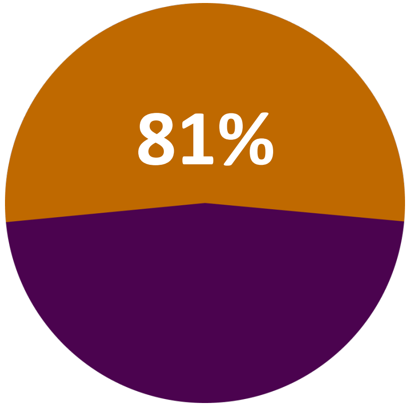
A proven process for guiding car dealers through every step of a successful exit.

Exiting is Inevitable



Want To Transition Out

Over 50% of dealers want to transition out of their businesses within the next 10 years, regardless of their day-to-day involvement.



Want To Stop Working

Most dealers plan to step back from day-to-day operations within the next decade, aiming to reclaim their time and find a better work-life balance.

YOU WILL EXIT

Whether planned or unplanned, the question becomes, what path will you take?

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What Dealers are Thinking

- I don't know where to start!
- Can my management team buy me out?
- I'm waiting.
- Are my children up for it?
- I'll keep it forever…
- Help! Find me a buyer!
- Concerned with family fairness.
- I'll use an ESOP.
- I'll give it away!

Decision Framework – 7 Steps

1. **Create and Clarify Exit Objectives**
   - Timing
   - Long Term Financial Goals
   - Three Domains: Family/Business/Ownership
   - Desired Transition – Inside or Outside
2. **Determine Value & Forecast Cash Flow**
   - Benchmark Valuation
   - Cash Flow Projection
   - Current Personal Assets
3. **Focus On Business Value**
   - Grow Value
   - Minimize Taxable Income
   - Define and transition management responsibilities to Key Employees
4. **Transition - Insider**
   - Family Member – Gift, Sell, or Testamentary
   - Key Employee or Management Team
   - ESOP
5. **Transition - Third Party Sale**
   - Strategic Buyer
   - Private Equity
6. **Business Continuity Planning**
   - Corporate Plan
   - Business Continuity Instructions
7. **Estate Planning**
   - Asset Transfer Strategies
   - Estate Tax Planning
   - Generational Wealth Planning

Business Planning Questions

1. **Do you have Key Management installed?**
   - Are your Key Employees incentivized?
   - Can your Key Employees grow the business without you?
2. **Do you know the value of your business?**
   - What is the asset value?
   - What is your Enterprise Value?
   - Do you have a cashflow forecast?
3. **What is your 5-year plan?**
   - Are you ready to step back?
   - How are you developing your successor?
   - Would you sell today if you could?
4. **Are your children involved in the business?**
   - Do they have the skill set to grow the business?
   - Will they have the financial resources to purchase?
   - Will your employees embrace them?
5. **What happens if something happens to you?**
   - Have you determined if your family is financially secure?
   - Do you have a Business Continuity Plan?
   - Will your employees stay?

Selling to Insiders

Family and/or Key Employees

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The Insider Dilemma

Challenges

- Insiders have no money
- Are your children/key employees committed to continued success of dealership?
- Long-term financial security is dependent on the successor being successful managing dealership
- Family fairness
- Estate liquidity

Benefits

- Keeping the dealership in your family or extending your legacy through a hand-picked management group
- Motivating, retaining, and rewarding Key Employees
- Remaining active in the dealership while gradually reducing day-to-day responsibilities
- Providing time for new owners to build up personal assets before your exit
- Retaining control until all or most of the purchase price is received

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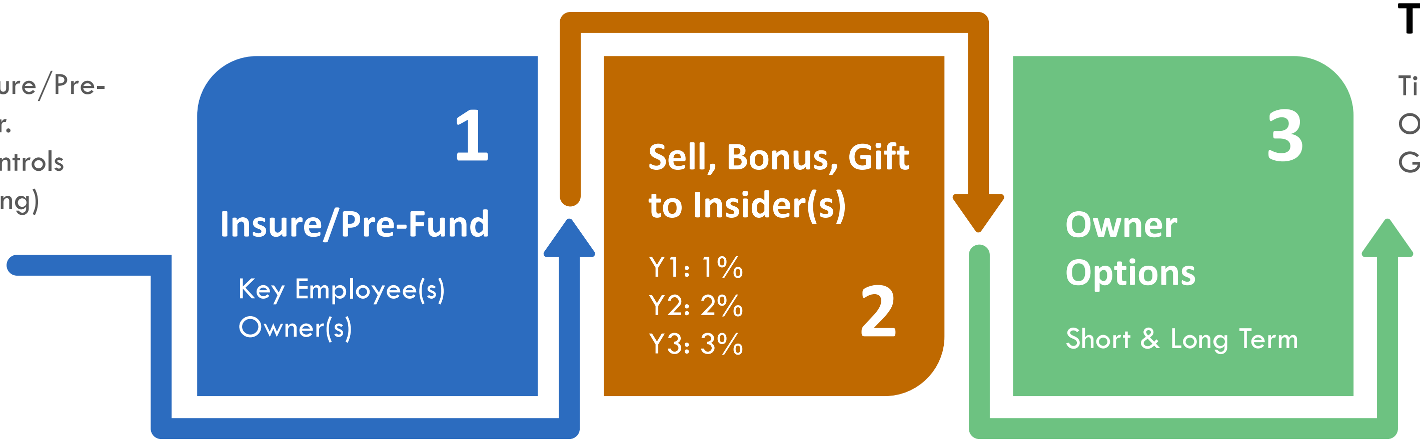
Insider Sale Stages

Insure/Pre-Fund

The more time we have to "Insure/Pre-Fund" your exit plan the better.

- Develop better financial controls (decision making & budgeting)
- Employee Excitment



Transition Out

Time = Options
Options = Greater Chance of Success
Greater Chance of Succcess = $$$

Gaining Equity

Equity Transfer: sweat equity earned, feel the pain, give it, etc.

Action Steps

Assessment, Create a Timeline, & Develop a Path to Success

The Exit Planning Framework

STEP 1

CREATE & CLARIFY EXIT OBJECTIVES

- Timing
- Post Ownership Lump Sum
- Desired Successor

STEP 2

DETERMINE BUINESS VALUE

- Benchmark Valuation
- Cash Flow Projection
- Current Personal Assets

STEP 3

GROW BUSINESS VALUE

- Grow Value
- Minimize Taxable Income
- Define and transition management responsibilities to Key Employees
- Minimize Risk

STEP 4

SELL TO INSIDERS

- Key Employee/ Management Team
- Family Member(s)

STEP 5

SELL TO A THIRD PARTY

- Private Equity
- Strategic Buyer
- ESOP

STEP 6

BUSINESS CONTINUITY

- Buy-Sell Agreement
- Business Continuity Instructions

STEP 7

ESTATE PLANNING

- Wealth Transfer Strategies

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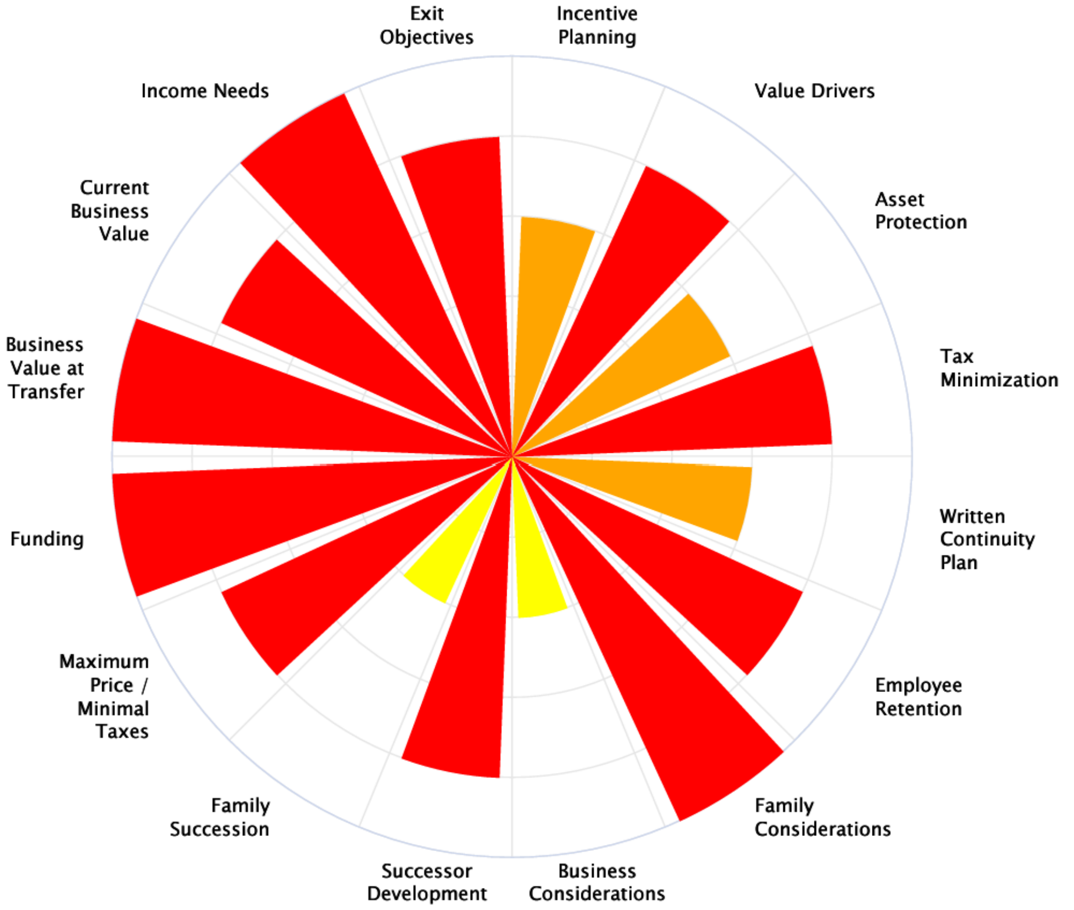
Exit Planning Assessment



Area of Interest	Priority
Business Value at Transfer	5 - Critical
Family Considerations	5 - Critical
Funding	5 - Critical
Income Needs	5 - Critical
Current Business Value	4 - Very Important
Employee Retention	4 - Very Important
Exit Objectives	4 - Very Important
Maximum Price / Minimal Taxes	4 - Very Important
Successor Development	4 - Very Important
Tax Minimization	4 - Very Important
Value Drivers	4 - Very Important
Asset Protection	3 - Important
Incentive Planning	3 - Important
Written Continuity Plan	3 - Important
Business Considerations	2 - Somewhat Important
Family Succession	2 - Somewhat Important

Stay in Touch

David Brackenbury, CFBS
david.b@dealerexitplanning.com
(610) 392-7030

Paul Dumm, CPA, ABV, CFF, CFE, ASA
pauld@rosenfieldandco.com
(407) 340-9861

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