ENTREPRENEURIAL FINANCE

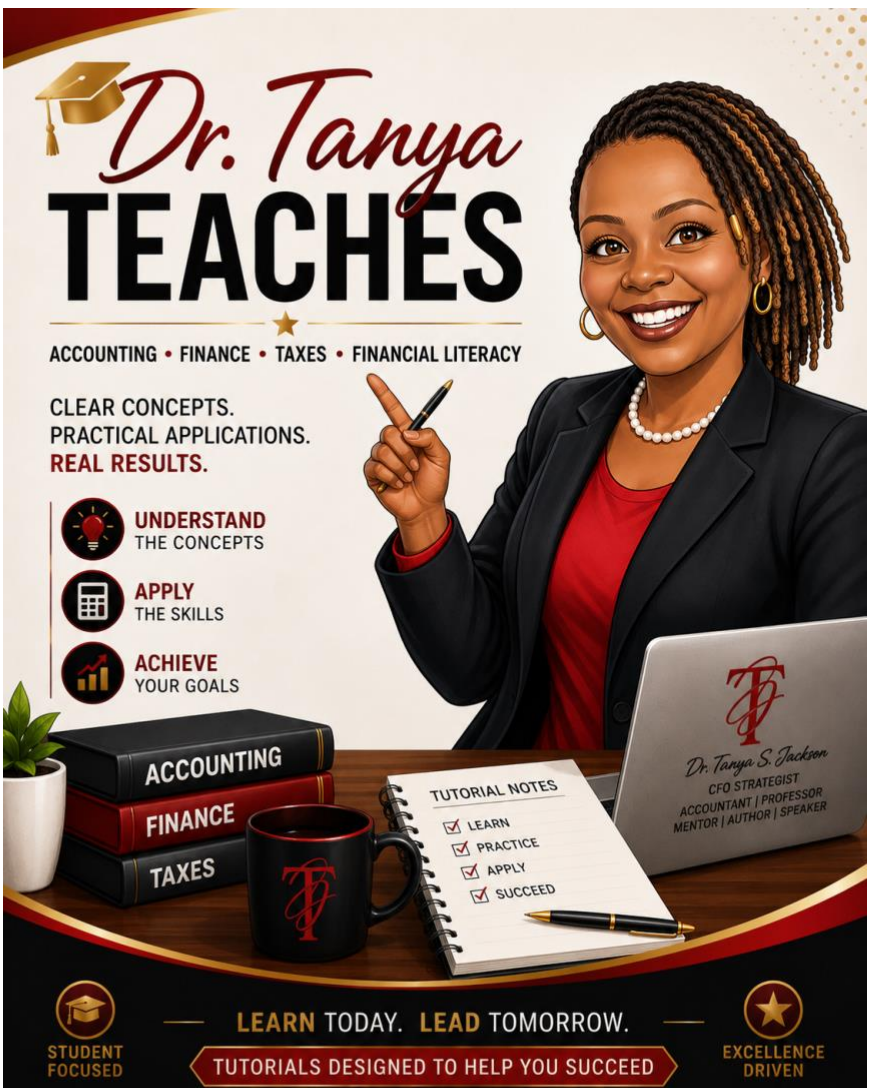
WEEK 6 | EXIT STRATEGIES AND BUSINESS VALUATION

Guided Instruction Packet

Learn how business value is assessed, explore exit strategies, and evaluate potential buyer offers.

GUIDED INSTRUCTION PURPOSE
This packet supplements the Intuit for Education Entrepreneurial Finance course. Use it to connect valuation and exit-strategy concepts to your own business, evaluate value drivers and transferability, compare exit alternatives and buyer offers, and prepare for live guided instruction.

Name: ____ Date: ____________________



How to Use This Packet

Complete the assigned Intuit classroom activities first or alongside this packet. Then use the explanations, examples, checkpoints, and business-owner applications here to deepen your understanding. Bring your questions and completed notes to the live guided instruction session.

Week 6 Learning Objectives

- Assess business characteristics to determine the most beneficial methods of business valuation.
- Identify three exit strategies for a business owner, listing the pros and cons of each.
- Analyze offers from potential buyers of a business, summarizing the financial benefit of each offer.

Week 6 Roadmap

STEP	WEEK 6 ROADMAP
1	Understand What Creates Business Value
2	Compare Common Valuation Approaches
3	Evaluate Exit Strategy Alternatives
4	Analyze Potential Buyer Offers
5	Build Value Before You Need a Valuation
6	Build My Business Value & Exit Strategy

Think Like an Entrepreneur

Building a valuable business requires thinking beyond today’s operations. Entrepreneurs should understand what drives business value, how owner dependence affects transferability, and which exit options best align with their financial and personal goals.

1. Understand What Creates Business Value

Business value reflects more than revenue. Profitability, cash flow, assets, liabilities, reliable financial records, customer relationships, operating systems, people, risk, and the business's ability to operate without constant owner involvement can all influence how a buyer or investor views the business.

VALUE DRIVER	OWNER QUESTION
Financial performance	Is the business profitable and generating sustainable cash flow?
Systems & people	Can the business operate without constant owner involvement?
Customers & brand	Are customer relationships and brand strength transferable?

Checkpoint 1

Why might two businesses with similar revenue have very different values?

Answer:

2. Compare Common Valuation Approaches

A business budget helps an owner plan how money will be earned and spent. Unlike a personal budget, a business budget must support operations, customer activity, inventory or service delivery, taxes, financing obligations, and growth. Comparing actual results with the budget helps identify problems early and supports better financial decisions.

VALUATION APPROACH	BASIC IDEA	OWNER QUESTION
Asset-based	Assets less liabilities	What is the net value of what the business owns and owes?
Earnings value	Value based on expected future earning capacity	What can the business reasonably earn in the future?
Market value	Value based on comparable businesses	What are similar businesses selling for?

Checkpoint 2

Why might an entrepreneur consider more than one valuation approach before estimating business value?

Answer:

3. Evaluate Exit Strategy Alternatives

An exit strategy is the owner's plan for eventually leaving or transitioning out of the business in a way that supports personal and financial goals. The appropriate strategy depends on the owner's objectives, the condition and transferability of the business, potential buyers or successors, and the financial consequences of the transaction.

An exit strategy should support both the owner's goals and the long-term viability of the business.

Guided Example: Building a Transferable Business

Two owners operate profitable businesses. Business A depends on the owner for every customer relationship, payment decision, and operating procedure. Business B has documented processes, reliable records, trained employees, and recurring customers. Consider which business may be easier to transfer to a buyer and why.

EXIT DIRECTION	WHAT IT MEANS	KEY CONSIDERATION	OWNER QUESTION
Sell	Transfer ownership to a buyer	Price, terms, taxes, transition	What would make the business attractive to a buyer?
Transfer	Pass ownership to family, employees, or successors	Readiness and continuity	Who could successfully operate the business after me?

A business that can operate beyond the owner's daily involvement may be more transferable and attractive to a potential buyer.

Think Like an Entrepreneur

Valuation is an estimate, not a guarantee of selling price. The quality of the financial information, the assumptions used, market conditions, buyer expectations, and deal terms all affect the final outcome.

4. Analyze Potential Buyer Offers

Entrepreneurs should decide how money will be received, deposited, spent, recorded, and reviewed. A repeatable financial routine creates accountability and helps the owner identify errors, missing documentation, unusual transactions, and cash-flow issues before they become larger problems.

OFFER FACTOR	QUESTION TO ASK	WHY IT MATTERS	OWNER CONCERN
Purchase price	What is the total stated consideration?	Establishes headline value	Is the price supported by the terms?
Payment timing	How and when will I be paid?	Affects cash, risk, and present value	How much is guaranteed at closing?
Conditions / obligations	What contingencies or transition duties remain?	Can reduce certainty or add burden	What could prevent me from receiving full value?

Compare offers based on total economic benefit, risk, timing, and fit with the owner's objectives.

Checkpoint 3

What two terms, besides the stated purchase price, would you examine before accepting a buyer's offer?

Answer:

5. Build Value Before You Need a Valuation

VALUE-BUILDING FACTOR	QUESTION TO ASK
Financial strength	Are revenue, profitability, and cash flow sustainable?
Transferability	Can operations continue without the owner?
Risk & records	Are records reliable and risks manageable?
Mitigation	What action can reduce the likelihood or impact?
Monitoring	How will I know whether the response is working?

Think Like an Entrepreneur

Formal valuation may come later, but value-building starts now. Strong financial performance, positive cash flow, reliable records, manageable debt and risk, repeatable processes, capable people, customer loyalty, and brand strength can make a business stronger and more transferable.

6. Build My Business Value & Exit Strategy

Use your own business, planned business, or hypothetical business. Assess what could drive its value, how dependent it is on you, which valuation approach may be most relevant, and what long-term exit direction best fits your goals. Reasonable assumptions are acceptable when clearly identified.

What is my long-term objective for this business?

What are the strongest current value drivers?

What currently reduces or limits business value?

If I stepped away for 30 days, would customers still be served?

Would bills, records, and operations continue?

What depends too heavily on me?

Which valuation approach appears most relevant: Asset / Earnings / Market / Need More Information?

What financial information would I need before estimating value?

Preferred long-term direction: Sell / M&A / Maintain / Transfer / IPO / Unsure

Why does this direction fit my goals?

What must be true before that exit is realistic?

What would matter in an offer besides price?
Identify one financial, operational, and strategic value-building action:

My Business Value & Exit Strategy

□ BUILD VALUE □ REDUCE OWNER DEPENDENCE □ PREPARE FOR EXIT

Identify the first value-building action you will take:

Knowledge Check

1. What is business valuation, and why might an entrepreneur need an estimate of business value?

Response:

2. Compare the asset-based, earnings value, and market value approaches to business valuation.

Response:

3. What factors should an owner consider when selecting an exit strategy?

Response:

4. Why might the highest purchase-price offer not provide the greatest overall financial benefit?

Response:

5. Why can reducing owner dependence increase the transferability of a business?

Response:

Prepare for Live Guided Instruction

- □ Complete the assigned Week 6 Intuit activities.
- □ Identify the strongest value driver in your business concept.
- □ Identify one area where the business currently depends too heavily on the owner.
- □ Choose a preliminary exit direction and be prepared to explain why it fits your goals.

Professional Takeaway

A valuable business is intentionally built. Financial performance matters, but so do strong systems, manageable risk, reliable records, transferable operations, and the ability of the business to succeed beyond its owner's daily involvement.

Dr. Tanya Challenge

- If a potential buyer evaluated your business today, what would make it attractive?
- What part of your business currently depends too heavily on you?
- What is one action you can take now to increase the long-term value and transferability of your business?

Week 6 | One-Page Memory Guide

Use this page for a quick review before the live session or before moving into Week 7.

REMEMBER	MEANING	OWNER QUESTION
Business Valuation	Estimate of what a business is worth	Which valuation approach best fits my business?
Asset-based Value	Assets less liabilities	What is the net value of what the business owns and owes?
Earnings Value	Value based on future earning capacity	What can this business reasonably earn?
Market Value	Value based on comparable businesses	What are similar businesses selling for?
Exit Strategy	Plan for leaving or transitioning ownership	What am I building toward?
Buyer Offer	Proposed economic and transaction terms	What is the total benefit, risk, and timing?
Transferability	Ability to operate beyond the owner	Could the business succeed without my daily involvement?
Value Building	Actions that strengthen financial and operational quality	What can I improve now to increase long-term value?

My Week 6 Notes

Keep learning. Keep practicing. Keep growing.