

ALTA

in SIGHTS

REAL TIME | ON-DEMAND



Designing an Exit Plan to Maximize Value
and Ensure a Successful Transition

Today's
ALTA Insights
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SPEAKERS

- **MARCUS HUNT**

Co-Founder & Partner | Title Success Solutions
Co-Founder & Attorney | South Oak Title, LLC

- **PAT SMITH**

Co-founder & CEO | Title Success Solutions
Owner & Attorney | Smith Kessler Smith, LLC



AGENDA

Designing an Exit Plan to Maximize Value and Ensure a Successful Transition

Despite a health pandemic, the robust refinance and housing market spurred historic title premium volume in 2020. The profitable year has spurred a wave of industry veterans to consider selling their companies and cash out after decades of getting deals done and protecting property rights. However, it can be overwhelming to think about planning your exit strategy. The good news is you don't have to develop your entire succession plan today. Register for this ALTA Insights webinar and learn how title company owners can best evaluate, cultivate and execute a successful transition away from their title company through comprehensive succession planning strategies.

Questions & Answers



PURPOSE OF PRESENTATION

- **Why succession planning is important**
Why should you start now?
- **Assessing your company & determining your goals**
Is your company ready to transition?
- **Deciding what your exit strategy looks like**
Design your specific plan
- **Ready to transition – implementing your plan**
How you make it happen





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WHY SUCCESSION PLANNING IS IMPORTANT



WHY SUCCESSION PLANNING IS IMPORTANT

- Aging ownership in industry
- Affects everyone
- Unexpected tragedy
- Opportunities for merging to centralization of resources
- Return on investment
- Market is ripe for acquisition





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ASSESSING YOUR COMPANY & DETERMINING YOUR GOALS



ASSESSING YOUR COMPANY DETERMINING YOUR GOALS

MAXIMIZATION OF VALUE

• Operations

- How well company is managed
- Work-flow processes defined & reviewed
 - Underwriter
 - Software Vendor
 - Independent Consultant
- State of Technology
- Compliance



ASSESSING YOUR COMPANY DETERMINING YOUR GOALS

MAXIMIZATION OF VALUE

- **People – Role of Current Owner**
 - Intentionally work on your succession plan
 - RESOURCES:
 - Built to Sell
 - The “E” Myth
 - Select & mentor key personnel
 - Shift customers’ sales efforts to team



ASSESSING YOUR COMPANY DETERMINING YOUR GOALS

MAXIMIZATION OF VALUE

- **People – Key Team Members**
 - Retaining employee during transition
 - Business tied to key employees

- **People – Client Mix**
 - Lender
 - Builder
 - Residential
 - Commercial



ASSESSING YOUR COMPANY DETERMINING YOUR GOALS

MAXIMIZATION OF VALUE

- **Financial Condition**
 - Accurate Financial Statements
 - Allocating Expenses
 - Claims





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DECIDING WHAT YOUR EXIT STRATEGY LOOKS LIKE



DECIDING WHAT YOUR EXIT STRATEGY LOOKS LIKE

KEY QUESTIONS TO CONSIDER

- **Co-owners – What are the goals?**
 - Continue having a role after transition
 - Complete exit
- **Family members**
 - Gift to them
 - Will they acquire?
- **Current employees**
 - Will they acquire?
- **Tax Implications**



DECIDING WHAT YOUR EXIT STRATEGY LOOKS LIKE

EXAMPLES OF OPTIONS

- **Key-Man Life Insurance / Buy-Sell Agreement**
 - Provide liquidity for transition
- **Disability Insurance**
 - Continued income
 - Delay Sale of Business
- **Structured Buyout**
 - Employee
 - Family Member



DECIDING WHAT YOUR EXIT STRATEGY LOOKS LIKE

- **Team of Trusted Advisors**
 - CPA / Tax Advisors
 - Business Attorney
 - Consulting Firm
 - Business Broker
 - Real Estate Agent (if Real Property is involved)
 - Insurance Professionals
 - Underwriters





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READY TO TRANSITION - IMPLEMENTING YOUR PLAN



READY TO TRANSITION – IMPLEMENTING YOUR PLAN

VALUATION

FINDING A BUYER

AGREEMENTS



READY TO TRANSITION – IMPLEMENTING YOUR PLAN

VALUATION

- **What is the business worth?**
- **Operational & System Review**
- **Profitability**
 - Review Financial Statements
 - Determining a fair Multiple
 - Objective & subjective variables
- **Client Portfolio & Ratios**



READY TO TRANSITION – IMPLEMENTING YOUR PLAN

VALUATION

- **Fair Market Value**

- Accurate Financial Statements
- Evaluation Effect of Objective & Subjective variables
- Geographic location
- Share of local market
- Economic Outlook for area



READY TO TRANSITION – IMPLEMENTING YOUR PLAN

FINDING A BUYER

- Business Broker – specific to the Title Industry
- Investment Bankers
- Underwriter
- Local, Regional, National Associations



READY TO TRANSITION – IMPLEMENTING YOUR PLAN

PUTTING AGREEMENTS IN PLACE

- Non-Disclosure & Confidentiality
- Rely on Trusted Advisors and Team
- Non-Solicitation
- Letter of Intent
- Acquisition Agreement
 - Purchase Price
 - How it will be paid
 - Non-Compete & Non-Solicitation
 - Outplacement Opportunities



DESIGNING AN EXIT STRATEGY

SUMMARY

- **Every Title Agency needs and Exit Strategy and Business Continuity Plan**
- **Assess where you are today**
- **Determine your goals**
- **START TODAY!**



Q&A



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CONTACT US

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