

GREATER LOS ANGELES

2017



Exit  
Planning  
Institute™

A QUICK-LOOK AT THE LOCAL MARKET STUDY:

# The State of Owner Readiness

BENCHMARKING LOWER MIDDLE MARKET BUSINESSES  
AND EDUCATING OWNERS ON THE DIFFERENCES OF  
"ATTRACTIVENESS" VERSUS "READINESS"

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# A FIRST-LOOK AT THE GREATER L.A. STATE OF OWNER READINESS



## Los Angeles businesses are predominantly owned by baby boomers.

49% of respondents were Boomers, still the largest age group, but a bit lower than US Census data which reflects approx. 63% boomer-ownership for privately-held companies. Note: **60% were over the age of 52**, which means that successful conversion of the business wealth is likely top of mind.

## DESCRIBE LOS ANGELES IN TWO WORDS? FROM SCRATCH.

### 68% of Surveyed Owners indicated they began their business from scratch.

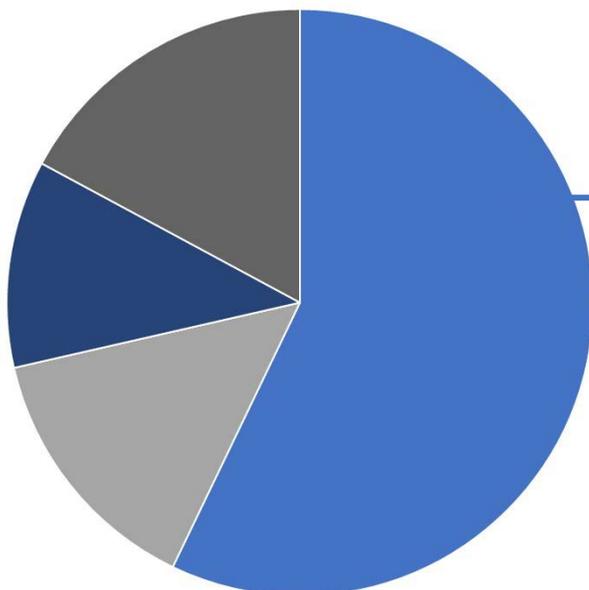
Greater L.A. survey data displayed a high concentration of small businesses under \$5 million (consistent with US Census data for American privately-held companies), and most indicated that the current owner also *founded* the company.

#### Greater Los Angeles Surveyed Data:

54% Annual sales of less than \$5 million.  
41% Sales in the range of \$5 million–100 million.  
5% Sales of \$100 million or more.

#### National US Census Data:

94% Annual sales of less than \$5 million.  
5.8% Sales in the range of \$5 million–\$100 million.  
0.2% Sales of \$100 million or more.



### When it comes to controlling ownership, family matters...

...at least 71% of the time.

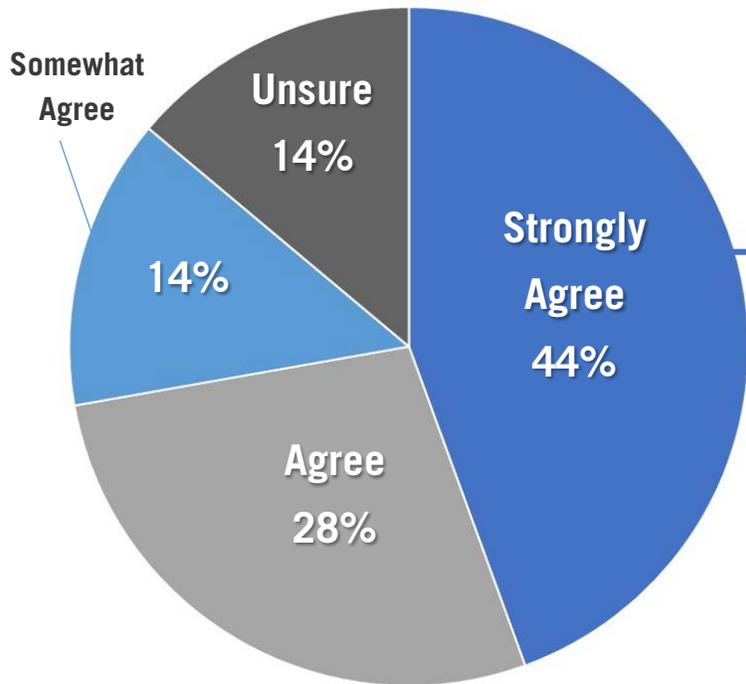
Surveyed owners reported the following data when asked about the nature of their business ownership/controlling interest:

- 57% Family Owned
- 14% Family/Outside Ownership (FAMILY CONTROLLED)
- 12% Outside Ownership
- 0% Family/Outside Ownership (OUTSIDE CONTROLLED)
- 17% Public Company

86% OF OWNERS AGREED WITH THIS STATEMENT:

**“Having a transition strategy is important both for my future and for the future of my business.”**

NOTE: Zero owners disagreed with this statement



### IF YOU DON'T DO ANYTHING, WILL NOTHING HAPPEN?

According to the survey results from Greater Los Angeles, **32% of owners have no plans to transition.** This statistic is particularly significant as most of the surveyed demographic are **52 years old or above**, and who are also the most susceptible to experiencing the “5 Ds”: **death, divorce, disability, distress, or disagreement.**

Lack of exit readiness is a significant decision in a Boomer dominated market. The good news is that getting “exit” educated is your first step.

## AND YET...

The very same surveyed L.A. area owners reported the following data which proved contrary to the statement that readiness was actionably important:

**60% OF OWNERS HAVE DONE NO PLANNING AT ALL**

**79% HAVE NO WRITTEN TRANSITION PLAN**

**69% ARE NOT FAMILIAR WITH ALL EXIT OPTIONS**

**Although 68% of owners intend to transition in the next 10 years...**

**80% HAVE NO FORMAL ADVISORY BOARD OR TRANSITION TEAM**

**69% HAVE NOT DOCUMENTED A CONTINGENCY PLAN FOR FORCED EXIT**

**68% OF LOS ANGELES OWNERS INTEND TO TRANSITION IN THE NEXT ONE TO TEN YEARS.**

IN COLLABORATION WITH LEADING FIRMS AND ORGANIZATIONS:



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