

A photograph of a modern glass skyscraper at night. The building's facade is composed of a grid of dark window frames, and the interior lights are visible through the glass. The entire image is bathed in a deep blue light, giving it a professional and corporate feel. The perspective is looking up at the building, emphasizing its height.

Morgan Stanley

Start-up to Exit-Ready: Practical Financial Planning for Carpet Cleaning & Restoration Business Owners

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Agenda

THE FOUR STAGES OF BUSINESS OWNERSHIP

1

Survival & Stability

Cash flow, reserves, and separating personal from business wealth

2

Growth & Control

Scale without overconcentrating wealth; disciplined investing

3

Optimization & Optionality

Align tax, retirement & business strategy; reduce owner dependence

4

Ownership Transfer / Succession

Exit planning, options, taxes, and the advisor team

Why This Matters for Business Owners

"For many business owners, the company is their most significant asset — and may represent the largest portion of their wealth."



Your Expertise

Trucks, crews, margins, customers — you know it all



Concentration Risk

All wealth, income & retirement tied to one company



Connected Planning

Investing, taxes, retirement & exit are one system



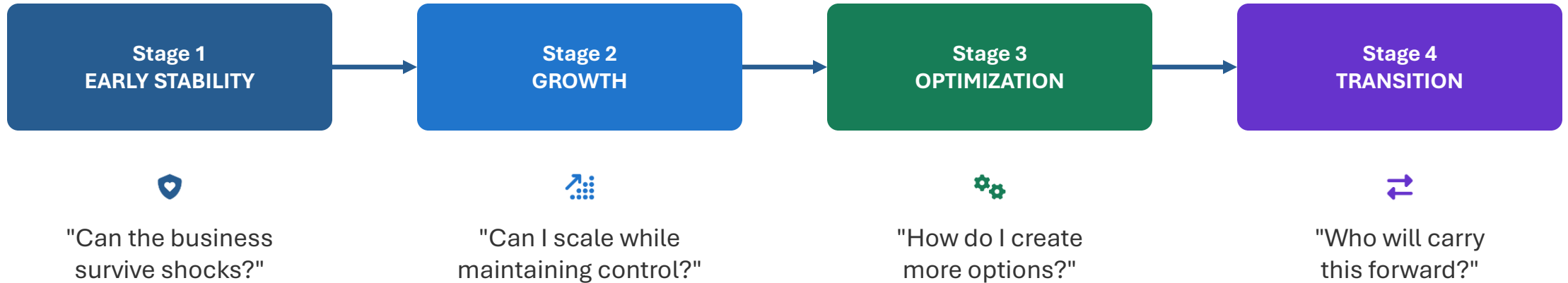
Owner Optionality

Each year of planning creates more choices

YOUR OPTIONS GROW WITH EARLY PLANNING

 Keep working	 Hire a GM	 Transfer to family
 Sell to employees	 Sell to competitor	 Reduce risk

The Four Stages of Ownership



KEY INSIGHT

The goal is not necessarily to sell. The goal is to be ready enough that you have choices.

*Build a business that funds your life today,
creates options tomorrow and can transition on your terms.*

SECTION 1

Stage 1: Survival & Stability

Build the Financial Foundation Before You Chase Growth

STABILITY STARTS WITH CASH FLOW



Working Capital

Reserves for repairs, vehicles, slow receivables



True Cost Per Job

Track profitability by service line



Consistent Owner Pay

Planned compensation, not random draws

ACTION ITEMS

- | | |
|---|---|
| ✓ Separate business and personal reserves | ✓ Create a tax set-aside process |
| ✓ Begin saving outside the business | ✓ Never choose between payroll, taxes & bills |
-

💡 **Mindset Shift: The business is your income engine — not your only financial asset.**

Your Personal Financial Plan

"You would not send a crew to a water loss without a process. Your personal finances deserve the same discipline."



Household Baseline

What does your household truly need?



Savings Targets

Annual targets outside the business



Protection Review

Insurance, estate docs, emergency plan



Quarterly Reviews

Owner financial reviews on schedule

THE KEY QUESTIONS

? How much does my household need?

? How much does the business need?

? How much should be reinvested?

? How much moves outside the business?

 **Goal: Make the business serve the owner's life — not the other way around.**

SECTION 2

Stage 2: Growth & Control

Growth Is Good — But Wealth Concentration Is a Risk

GROWTH INCREASES OPPORTUNITY — AND RISK

Growth Feels Exciting

More trucks, crews, bigger jobs, larger commercial accounts

But Risk Grows Too

More payroll, debt, equipment, receivables, compliance

The Trap

"My business IS my retirement plan" — risky without a conversion plan

- Create a formal distribution policy
- Use retirement plans strategically
- Build taxable investments outside the business
- Don't let lifestyle consume all growth profits
- Revisit debt before adding trucks or leases

 Saving outside the business gives you flexibility — reduces pressure to sell at the wrong time.

Invest With Discipline, Not Emotion

DISCIPLINE OVER EMOTION



In Business: You Have Control

Service quality, training, response time



In Markets: Less Control

Can't control headlines or short-term volatility



Same Discipline Applies

Process, consistency, not overreacting

COMMON MISTAKES TO AVOID

- X Holding too much cash out of fear
- X Chasing last year's performance
- X Panic selling during downturns
- X Moving in and out based on emotion

YOUR INVESTMENT PLAN SHOULD BE TIED TO:



Time Horizon



Risk Tolerance



Liquidity Needs



Goals

Time in the Market Complements Time in the Business

COMPOUNDING WORKS INSIDE AND OUTSIDE THE BUSINESS

10.5%

S&P 500 avg. annualized
total return (1926–2026)

5.2%

Long-term government
bonds annualized

3.3%

Treasury bills
annualized

KEY PRINCIPLES

- ↻ The point is diversification — not comparing business returns to market returns
- ⌚ The earlier you save outside, the less pressure to extract every dollar from the eventual sale
- 🔄 Automate contributions — treat personal savings as a non-negotiable owner expense

💡 **Increase savings after strong seasons, large jobs, or debt paydown milestones.**

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SECTION 3

Stage 3: Optimization & Optionality

Align Tax, Retirement & Business Strategy

FROM "CAN I SURVIVE?" TO "HOW DO I KEEP MORE?"



Tax Strategy

Align with long-term wealth
and exit objectives



Retirement Strategy

Coordinate contributions
with compensation



Business Strategy

Entity structure, benefits,
and succession

ACTION ITEMS

- Review retirement plan options
- Coordinate compensation & distributions
- Evaluate employee benefits for retention
- Review entity structure periodically
- Document tax planning decisions
- CPA + advisor + attorney — coordinated

 The goal is not to minimize taxes this year — it's to align taxes with long-term wealth and exit objectives.

Reduce Owner Dependence Before You Need to Exit

A BUSINESS DEPENDENT ON THE OWNER IS HARDER TO SCALE AND SELL

WHERE OWNER DEPENDENCE SHOWS UP

- Chief salesperson & estimator
- Operations manager & QC
- Customer complaint department
- Financial decision-maker

HOW TO FIX IT

- Document SOPs for every key process
- Develop second-level leadership
- Track KPIs consistently
- Diversify referral sources & carriers
- Clean up financials for outsiders

THE BUYER'S QUESTION

? "Can this business operate without the current owner?"

Know What Your Business May Be Worth

UNDERSTANDING BUSINESS VALUE

"If there is a gap between what the business is worth and what you need — better to learn 5–10 years early than 6 months before you want out."

VALUE DRIVERS FOR YOUR INDUSTRY

Recurring revenue & commercial contracts
Referral sources & carrier relationships
EBITDA & clean financial statements
Equipment condition & fleet age

Management depth & trained crews
Receivables quality & collections
Customer diversification (not concentration)
Documented systems & SOPs

ACTIONS

- ✓ Obtain periodic valuations
 - ✓ Compare to retirement needs
 - ✓ Track value drivers annually
-

SECTION 4

Stage 4: Transition & Sale Readiness

Exit Planning Starts Long Before You Exit

"Exit planning is not a sign you are ready to quit. It is a sign you are serious about protecting what you built."

WHY OWNERS DELAY

Too busy running the business
Unsure of timing
Emotionally attached

WHAT EARLY PLANNING GIVES YOU

Control how and when you exit
Reduce risk & minimize tax obligations
Refine strategy & maximize value
Be ready even if you don't want to sell yet

YOUR EXIT-READINESS CHECKLIST

- | | |
|---|---|
| ☐ Written exit-readiness checklist | ☐ Target transition window defined |
| ☐ Exit paths identified | ☐ Met with advisors proactively |

Assess Personal, Financial & Business Readiness

THREE DIMENSIONS OF EXIT READINESS



Personal

What do you want next?
Retire, consult, reduce hours,
transfer, or start fresh?



Financial

Can proceeds + investments +
retirement support your
lifestyle indefinitely?



Business

Is the company clean,
transferable, and attractive
to a buyer or successor?



A strong exit plan connects all three. If one is missing, the transition may be harder.

KEY ACTIONS

✓ Write ideal role 3 yrs post-transition ✓ Model retirement income needs ✓ Complete strategic & operational review

Explore Exit Options Before You Choose One

THERE IS NO SINGLE CORRECT EXIT STRATEGY



Family Transfer
Preserves legacy
May create complexity



Employee / MBO
Protects culture
Requires financing



Third-Party Sale
Higher price potential
More complex process



Other Options
Refinance, liquidate,
or maintain status quo

RANK YOUR PRIORITIES

Highest Price Legacy Employee Protection Speed Control Tax Efficiency

💡 Evaluate options early enough that you are not forced into the only available path.

Taxes Can Shape the Net Outcome

WHAT YOU KEEP MATTERS MORE THAN THE HEADLINE PRICE

$$\text{Sale Price} - \text{Taxes} - \text{Debt} - \text{Transaction Costs} = \text{What You Keep}$$

TAX STRUCTURE MATTERS

- Asset sale vs. equity sale
- Installment payments & earnouts
- Seller financing options

- Gifting & estate planning strategies
 - Charitable strategies
 - Tax deferral strategies
-

ACTIONS

- Consult tax and legal advisors before engaging buyers
- Model after-tax proceeds under multiple scenarios
- Coordinate tax planning with retirement income planning

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The Advisor Team

BUILD A COORDINATED TEAM — NOT SILOS



CPA

Tax history &
strategic advice



Attorney

Documents &
transaction structure



Financial Advisor

Retirement income
& investment strategy



Banker / Broker

Financing &
buyer access



Exit Advisor

Coordinates
overall process

⚠ "If those professionals are not talking to each other, you may receive advice that does not work together."

ACTIONS

- Build the team before a transaction — not during one
- Annual planning meeting with CPA, attorney, and advisor
- Designate one coordinator for timeline and workstreams

The Psychology of Money for Owners

MONEY IS EMOTIONAL — CLARITY REDUCES RISK

Owners feel pride, fear, guilt, loyalty, confidence & uncertainty — all at once

Silence creates risk — if family, employees, or advisors don't know your goals

Financial clarity gives you a plan before stress hits

62%

of Americans are reluctant
to talk about money with
family and friends

CONVERSATIONS TO HAVE

What does the business mean to the family?

Clarify wants vs. needs

What does retirement actually look like?

Prepare family to understand assets & liabilities

Document important contacts & decisions

What role do family members want?

1. Source: Empower.com, *Empower Money Talks Survey*, 2023

Key Takeaways

FIVE PRINCIPLES FOR CARPET CLEANING & RESTORATION OWNERS

- 1 Build Stability** — Know your numbers, protect cash flow, separate personal from business
- 2 Save Outside the Business** — Your company should not be your only asset
- 3 Align Strategies** — Tax, retirement, and exit decisions work together
- 4 Optimize Before You Exit** — Reduce owner dependence, document systems
- 5 Plan Early** — You don't need to know exactly when — just start preparing

Create a business that gives you choices — to grow, step back, transition, sell, or keep owning from a position of strength.

Thank You

CLOSING THOUGHT

The strongest owners are not just building revenue. They are building transferable value, personal wealth outside the business, tax-aware retirement strategies, and future choices.

NEXT STEPS

Schedule a one-on-one conversation with Terri Brown to discuss your specific situation and goals. Terri.brown@morganstanley.com 903-241-7550

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