

## CASE STUDY 6

### When Financial Reality Catches Up Aligning Owners and Outcomes



#### A Business Under Strain

A privately held company with two partners was experiencing stalled growth and increasing operational pressure. While revenue remained steady, underlying performance had weakened. Financial discipline was limited, and cash distributions had been made based on an overly optimistic view of profitability, gradually eroding the company's financial position.

#### Key Challenges

- Stagnant growth with rising operational strain
- Profitability overstated due to weak financial controls
- Cash distributions misaligned with actual performance
- Limited visibility into true economic position

#### Establishing a Defensible Financial Picture

Working alongside an investment banker, the first priority was to establish clarity. This included refining revenue recognition, normalizing expenses, and rebuilding profitability analysis to reflect the company's true earnings profile.

The objective was not to present a better story; it was to present an accurate one. With a solid financial foundation, the business can be credibly evaluated by both ownership and potential buyers.

#### From Assumptions to Alignment

As the financial reality became clear, alignment between the partners improved. Decisions that had previously been influenced by assumptions were now grounded in objective data, allowing for a more realistic assessment of strategic options.

#### Converting Value at the Right Time

The company ultimately completed a sale to a major industry participant.

While post-closing performance has faced challenges, the transaction enabled the owners to realize value that may not have been sustainable under the existing structure.

#### Clarity Creates Optionality

In situations like this, the goal is not always to optimize every aspect of the business before a transaction. It is to understand the reality of the situation, align stakeholders around it, and act decisively when an opportunity to convert value presents itself.

#### Reality Drives Better Decisions

Accurate financial visibility does more than inform; it drives action. In this case, confronting reality allowed ownership to move from uncertainty to execution and ultimately achieve an outcome aligned with the company's true position.

