



# EXPERT ARTICLE

## Source the exit before going in

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Investing angels should not tread on exit strategies.

It goes against human nature to think about ending something before it begins.

Whether through superstition, culture or adherence to popular conscience, we are generally an optimistic bunch not prone to giving an exit strategy a moment's thought when starting up a business.

And when you are an entrepreneur filled with anticipation about a new venture, or a cashed-up investor keen to help them, those thoughts demand less attention.

That's the single greatest mistake these two groups make, according to serial entrepreneur Dr Tom McKaskill, described as the world's leading expert on exit strategies for high-growth enterprises.

"Angels should never invest in anything unless there is a strong exit strategy," he said.

"But we don't teach people this. We teach people to grow a business, not sell one to accumulate wealth. That's the mistake most angels have made."

"They get into businesses that look interesting, have growth possibilities and then they've been there for five or eight years and say to themselves, 'we need to get a return on our money'."

"They look to exit and realise they're in the wrong business, because the exit values are not very good.

"The fundamental problem is they got into the wrong business because they didn't ask the right questions.

"The historical angel investment venture-capital model of the '70s and '80s doesn't work anymore."

Dr McKaskill said a healthy focus on an exit strategy placed a business in a stronger position for takeover by a larger corporation, which could then exploit and expand the initial entity.

He said exit strategies were important to business owners at any level.

"you might have a nice income, a nice car and a nice house but you work long hours, you take risks, you put your family on hold," he said.

"There has to be a return on the investment and stress.  
That's the exit.

“If you sell it successfully, it gets passed onto somebody who gives it the next life.”

“When you sell successfully, you sell to someone who can do a better job with the business than you. The starter guys are not the good builder guys.”

“They have the creativity to get it off the ground, but they need to get rid of it, let it go to somebody who can take it to the next level while they go and get another one.”

He said angel investors were regaining some confidence after a sit-tight lull, and that IP surrounding biotech, IT and green tech were the most attractive investment prospects at the moment.

He is also an active member of the Gold Coast Angel Group and has supported the formation of a group on the Sunshine Coast, the SunCoast Angels.

Tom provides his e-book 'Invest to Exit: A pragmatic strategy for Angel and Venture Capital Investors' free of charge, for your copy visit [http://www.wholesaleinvestor.com.au/public\\_panel/news\\_detail.php?id\\_NEW=44](http://www.wholesaleinvestor.com.au/public_panel/news_detail.php?id_NEW=44)