

# The equity myth and how to use BEE to achieve an exit

Issued by [Pula Capital Partners](#)

24 Feb 2020

Many small ICT business owners start their business with the aim of one day selling out and using the proceeds as their major payday or pension.



Sadly, even for the 30% of the businesses that survive, most never manage to achieve an exit for the proper value and the owner ends up just shutting up shop or resigning themselves to continue working until they have to stop.

The reasons for this are many and varied, some of the most common reasons contributing to this are as follows:

- The business never really grows to any size for an interested buyer
- The owner fails to structure the business for a sale
- The business is built around the founder without whom the business would soon collapse
- Valuation expectations are often misaligned between buyer and seller

Very often a further difficult requirement by the purchaser is for the owner to stay for two to three years and to offer profit warranties – which often means the seller may as well have stayed and so a deal just keeps getting postponed ad infinitum.

One of the ways of avoiding the above issues is to take a planned long-term view to exit and to engage with a preferred strategic equity partner early in the process.

SA has some additional business challenges in that to be a successful medium-size player most businesses are now compelled to include black ownership in their structure.

Based on our own experience as Pula Capital, we believe that BEE can actually be a very positive vehicle for change, equity growth and exit. But it does require an understanding and commitment to the future.

## **How can your business practically benefit from a BEE equity partner?**

A key requirement would be for this partner to be able to help you in putting a succession plan in place within their own organisational structure so that you can exit safely and sell off the balance of your enhanced equity value in the time frame

you wish to exit. The ultimate being that your smaller slice of the much bigger pie more than pays for the deal.

In a nutshell, we would propose that you find a partner that can help you with two things:

1. Through your enhanced BEE ownership, you can protect and grow your revenue into new accounts and markets
2. Through leveraging their own sales force to help you by introducing you into their client base

**PLEASE JOIN US AS WE EXPAND ON THESE TOPICS AND TAKE YOUR QUESTIONS IN OUR UPCOMING WEBINAR**

**Details:** *Wednesday, 18 March 2020 12pm-1pm*

**Cost:** *There is no cost to join this seminar*

**Presenter:** *[Brian Rainier](#) (Chartered Financial Analyst), CEO of Pula Capital Partners*

Click [here](#) to attend webinar.

You can find more information and contact details for us at <http://www.pulapartners.co.za>.



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Pula Capital Partners

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