

Determining the Right Time to Sell

"Whatever the reason, there should be something other than dollars that motivates you to explore a sale. After all, if it weren't more valuable to own the business than to sell it, no one would ever buy it." - *Mike Sharp, M&A Today, November 2002*

The owner of a successful company is considering selling, thinking now may be a good time. However, he is told by an outside advisor that business is good and that if he holds on to it for several more years he will get a much higher price. On the surface, this makes a lot of sense. After all, when an advisor tells the owner that if he keeps it for three more years and the price will double, that's a terrific incentive to keep plugging away. However, there is another side to what would appear to be sound advice.

The most dramatic downside would be that the business could go downhill rather than uphill as the advisor predicted. Although no one can predict what the economy will do, there are a couple of possible scenarios. The industry itself might be impacted by some new technology or other companies might enter the field. It is also possible that the owner, having considered selling, is just worn out and can't or won't maintain the zeal necessary to keep the business competitive. After all, after many years of running the business, the owner may be tired, "burnt out," or just plain ready to slow down.

There are other areas to consider as well. For example, equipment may need upgrading or replacement, products or services may be aging and need revitalizing. Additional capital may be necessary to keep the company up-to-date and competitive. Leases may be expiring and long obligations required to renew them. In short, what originally looked like a good strategy to increase the selling price, has backfired. The costs of continuing to operate the business have increased dramatically, the owner has lost interest - and now the company is offered for sale.

The right time to sell may be when the company's industry, product line or service is at or near the height, of its success. There comes a point when the business or its industry is peaking and everyone wants "in" - and that is the time to sell. There is the old story that the time to sell the buggy whip business was just before Ford started producing the Model-T. As they say, "timing is everything."

The right time might be when the company is at the top of its game. Sales are robust and growing, the balance sheet is squeaky clean, and the employees are productive and happy. Another good time to sell is when there is a solid buyer who is seriously interested in purchasing the company, or perhaps, when a manager within the company is ready to take over in a buy-out of some form.

So, when is the right time to sell? Perhaps when the owner first decided it might be time. However, there is really no best time to sell. No one can tell the owner when it is the time to sell. Outside advisors are well intended, but no one knows when it is time except the owner. And, when it's time - it's time!

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