

Is NOW the Right Time to Sell?



When is the best time to sell your business? There is an old cliché that says “timing is everything.”

The best time to sell is when you are on top – either your company is riding high or the industry that you’re in is flourishing and everything points to next year being even better. This is when you will get the most money or the best terms for your business.

Selling a company at the right time is critical in maximizing a successful transaction. All too often, owners decide to sell without thinking through the question of whether or not now is actually the best time to sell. When you consider selling, you should consider the timing in terms of your readiness to sell and the market’s readiness to buy. However, sometimes circumstances do not allow you to choose the optimum time to sell your business.

A majority of the time, the decision to sell will probably have more to do with your personal circumstances than on the current economic climate. If the timing of selling is left up to the business owner, he would like to sell when the market demand is high. During a time of recession or downturn in the local economy or your business sector, you may want to gauge whether or not it is best to wait until things improve.

Cyclical factors are important

Many businesses are cyclical in nature. For example, a retail store which generates at least one-third of its revenues during the holiday season. The perfect time to sell would be in January or February, after the highest revenues have been earned and the inventory is at a low point. A business located in a resort area would best be sold following the peak of the tourist season, when the financial reports would show business earnings at their highest point. Many sales occur at the end of the year to make the accounting issues less complicated.

Internal factors are important

Just like the process of selling a home, a business should undergo a general shape-up process prior to putting it on the market. Clean the premises, organize the records and deal with any customer or vendor issues before you plan to meet with potential buyers.

Start planning early

Once you have made the decision to sell, it may take up to six months to properly organize your business affairs before the business is ready to go on the market. This obviously depends on the complexity of the company and the amount of planning that you have accomplished in advance. Once you have your business on the market, it could take another six months to a year to actually find a buyer and complete the transaction.

Keep in mind that many businesses that are put on the market never sell. The main reason for this is the seller places an unrealistic price on the company.



Having the right asking price initially will increase your chances of completing a successful sale many times over.

All of these factors make it clear that if you know you will be selling your business sometime in the future, or if you have a target date in mind, you need to start planning a year or two in advance. Your best chance of receiving the highest market value for your company is to allow plenty of time for the sales process to happen.

If you allow yourself to get into a situation where you feel pressured to sell, you may be forced to accept terms that are less than favorable to you or – worse – you may not find a buyer at all.

In summary, the best time to sell your business is when it is performing well and the economy is growing. Don't wait until you are burdened with problems and then expect the buyer to assume your issues. Buyers are generally looking for a going business with a good proven income stream and a realistic value on the assets.

When you begin to negotiate the sale of the business, you will be much better off if you have developed a personal plan and have prioritized which items in the deal are the most important to you and which items you can compromise on and still accomplish your objectives.

For more information on how to engage a personal business advisor please visit murphybusinessboise.com.

We can also assist you with a more formalized business valuation report if you should need one. For more information visit murphyvaluation.com.

To determine if you are truly ready to sell, ask yourself these questions:

- If I sell the business now, will I get enough money to satisfy my needs?
- Will I really improve my personal financial position, or should I wait a little bit longer?
- Define priorities: Do I want an all-cash deal, so that I can wash my hands and be done with the business? (This will generally result in a lower price the buyer will be willing to pay.)
- Am I willing to finance part of the sales price? (This usually results in a higher price being offered by the buyer.)
- Am I looking for a buyer to continue my business traditions and carry on in a similar style?
- Am I looking to protect my employees and ensure they are retained by the new buyer?
- Have I taken all of the steps necessary to make my business as attractive as possible to a new buyer?
- What will I do after the sale? Do I want to maintain a relationship with the business (perhaps working for the new owner on a part-time basis or as a consultant)?
- Have I thought about how much time I will give a new buyer for a transition and training period?
- Have I done enough to ensure that the business is not dependent on me being there, so that the new owners can take over and be successful?
- Am I willing to sign a non-compete agreement with the buyer?
- Is this the right time to sell, and can I do it without experiencing seller's remorse?



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