

So, Ya wanna sell?

The last few years have been wonderful for business owners who wanted to sell privately owned companies that they had built up over time. A sound business has been able to attract multiple bidders and often get a premium price for its owners. So, you might ask, now that you think you're ready to sell yours, is the game still open?

Well, yes and no. Or as economists, politicians, and sometimes consultants are prone to answer: It all depends.

A number of factors will determine the value of any business, including yours. Although the wild ride in the equity markets for technology companies might lead you to think otherwise, these factors aren't dramatically different from the past. Only their relative weight has changed. Since private deals are to some extent influenced by the public equity markets, some factors may carry more weight now than they did last year.

So, to guide you in your decision to sell or not, here is our list of those factors, and our opinion of how they now influence your chances of getting a great price for your company:

1. **Is your business producing positive cash flow?** This is another way to ask if it's really profitable. Unprofitable businesses have declined substantially in appeal with the drying up of easy-to-get investment capital. Unless your business has some special attraction, e.g. a technology segment that is in favor, or it's in an industry ripe for a roll-up and added volume would enrich its bottom line, this could be a deal killer. Many cash-rich buyers will only consider companies that are currently profitable, leaving the turnarounds for others.
2. **Does the business have growth potential?** If you've had trouble making it grow, how will newcomers fare any better? If it's not likely to grow, but can be maintained, the ideal buyer will be someone who is mostly interested in buying income stability. They will need to be convinced that there is no serious pending competitive threat to that stability.
3. **Is the business "clean?"** Are your accounting books, tax returns and financial statements current and credible, and the legal structure of the company uncomplicated? The absence of any of these can scare buyers because they can be costly to correct and/or may be hiding greater sins just below the surface. The cost of day-to-day "cleanliness" is almost always less than the cost of scrubbing your company in order to close a deal.
4. **Is the timing right?** Have you decided to sell because sales are in a gradual slide or your 25-year employees are approaching retirement – or worse, zero productivity – and you're tired of dealing with it? This won't be appealing to a buyer who wants to buy future prospects, not past problems. Better to sell when you're on a high, you've just launched a new and exciting product line, morale is high, sales are growing beyond your capacity to fill the orders, etc. You get the picture.
5. **Are your expectations reasonable?** Have you put a fair price on the business that is based on its value rather than the cost to finance your retirement plans in the South Seas? Do you intend to resist non-complete covenants so you can open up across the street right after the check clears? An independent valuation of your company is a good investment at this time, if only to give you plausible support for your asking price. And you should expect to surrender the ability to compete with your old company when you leave it, just as you'd expect if you were the buyer.

This is still a great time to sell a good company. It is no longer such a good time to sell a troubled company. It can be done, but you need to be better prepared to demonstrate why it's worth what you ask. A presentation memorandum ("the Book") prepared by an investment banking firm that knows what they're doing can be helpful in this instance, because it will help you highlight your

company's strong points and give you the time to prepare plausible answers to questions about its weak points. This could be your biggest sale ever, so do your homework, and let us know if we can help.