

Don't Let the Vultures Get You. Know When To Sell Your Business.

Steve Weintz

Consider the small business owner reaching retirement age. It's taken thirty years of hard work. Long hours. Late nights. Many weekends. And while the business hasn't made him *wealthy* by Wall Street standards, it's been enough to pay off the mortgage, send the kids to college, keep a late model car in the garage. For years, his wife wanted to vacation in Hawaii. He could certainly afford the trip--but he owns a small business. Who has time for a trip like that? The phone rings. There's one more customer who needs "it" right away. So his wife stopped talking about Hawaii; they went to Miami instead. Hey--it's still ocean. Still the beach. Room service is room service.

Now approaching -- what, in generations past, was considered to be retirement age-- our small business owner is thinking of selling his company. The kids grew up and moved away; they had no interest in the man and business that paid their college tuition. His employees have been loyal to him, but they don't have the money to buy him out. Besides, there's nobody in the organization or plant that's cut out to be a CEO. So he puts the thought of selling his company on hold. Watches some Sunday afternoon football. Thinks about taking up golf. All is well and good, except that nobody has told him that *the time to sell a business is before a business must be sold*.

Many small business owners miss the peak opportunity to sell their company. For some, the long hours and dedication needed to start and build a business turned into everything they have. It's their baby--they have a tough time letting go. Then the unexpected happens. A sudden heart attack. Cancer. A new competitor in the market. The economy fails, and sales take a significant dip. Still, he decides to ride it out, to hold on one more year, hoping things will miraculously turn around. That doesn't happen, and at last he decides it's time to sell.

The owner meets with his CPA who recommends a business broker. The three of them sit down to discuss the value of the company. The owner is not pleased with what the CPA and broker have to say and thinks he can do better on his own. So he puts the word out on the street. Runs an ad in a trade publication. Business for sale. Opportunist buyers and investment groups

start calling and circle the company owner like hungry vultures who have just discovered road kill. Then some offers come floating in---they are a token of what the owner is expecting and he his blood pressure shoots through the roof. Someone should have told him years before that *the time to sell a business is before a business must be sold.*

Selling a business is not an overnight process. Understanding the fundamentals of valuation is essential. Selling a business is, in some regards, like selling a house. You can put whatever price you want on the house---it's your house. But if you want to *sell* the house, the asking price has to be comparable to other houses in the neighborhood. Understand that when buyers look at a business, they focus on the previous three years of revenue, income and expenses. Yes, they are interested in future growth potential, but the purchase price is not determined by what *could* be in the future but where you are today. Buyers aren't paying for sales *projections*.

Small business owners are well advised to hire a qualified transaction attorney, CPA or business broker who will take the time to really understand the business, write a detailed offering memorandum, put together a financial package and help screen qualified buyers. A lot of time can be wasted talking to would-be buyers who say they want to buy the business but don't have the financial capacity to execute a deal. Owners need to understand that a strategic buyer (a competitor or someone in the industry) is going to pay more for the business than an average investor because they *will* understand the future potential and have the resources to take the company to the next level. Finding the right buyer takes a thoughtful and well executed marketing strategy.

Selling a small business requires advance thought and planning, but the starting point is to make a decision that it's time. Make that decision, start the planning process and then start thinking about all the things you've always wanted to do but never had the time. Lanikai Beach, on the island of Oahu, is considered by many locals to be the most beautiful beach in all of Hawaii. I'd like to go there sometime but right now I'm too busy . . .working.

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