

## Should + Can + Ready: When's the right time to sell your business?

By Scott Leff

You probably heard it when you were a teenager: “Just because you can do something, doesn’t mean you should.” There’s a flip side to this advice that you probably weren’t told, but that applies just as profoundly to the question of selling your business: “Just because you should do something, doesn’t mean you’re ready to.”

The right time to sell your business is when you can, you should, and you’re ready. The tricky part is figuring out when that Venn diagram is complete.



### When Can I Sell My Business?

The short answer might seem to be: anytime you want. But it may not be quite that simple. Unlike the other two circles in our diagram, this one is mostly dependent on outside forces that can be beyond your control.

Are you the 100% owner of the business? If not, you better pull out your governing documents or operating agreement. The decision to sell may not be up to you... at least, not entirely. Or, if it is but you don’t have drag-along rights to force other possibly reluctant owners to sell along with you, you may not be able to find a buyer willing to enter into a transaction.

Are you highly leveraged? If you have a lot of debt, that can become a hurdle that will make a sale difficult.

If your revenue or profit trends are declining, or if your profitability is very low, you may not be able to sell because buyers will find you unattractive or too risky.

What about skeletons in the closet? Are you in the middle of a lawsuit, or do you know that litigation will be coming your way? Remember that during the due diligence process between signing a Letter of Intent and actually closing the deal, the buyer is going to be digging deeply into everything, and I do mean, everything. Secrets will not stay secret.

Smart sellers lay potential problems out upfront and proactively. In short, if there's something you know about your business that makes you think, "Wow, I wouldn't want to take that on," then you probably can't sell right now.

Finally, there's the economy at large. Economic contractions don't mean that M&A markets dry up and all financing options go away, but it is important for you to consider whether deals are getting closed at market values and consult with an M&A advisor who is knowledgeable about your sector and able to guide you as to whether you should move forward today or wait for better times.

### **When should I sell my business?**

If your business is booming, everything is going great, you are growing your top and bottom lines, the future looks brighter than ever, and you're happy as can be,... Sell!

Okay, it's not quite that simple. If you're full of energy and love what you're doing, then being on a rocket ship trajectory is great. Strap in and enjoy the ride. However, if you've been thinking about an exit and trying to decide the right time, selling at the peak will maximize your monetization event. Buyers are looking for businesses that are sustainable and growing. If you are at the stage in your business life where you can demonstrate those qualities, that's when you'll get top dollar.

So, be open to the counter-intuitive here. Stick around if you're where you want to be and don't have an exit horizon over the next several years. But, if you think you might want to transition at some point, then sooner is better than later if things are humming along.

When should you sell? The smart seller gets out when the getting's good.

### **When am I ready to sell my business?**

There are two sides to this question: the company side and the personal side.

On the company side, you're ready when, ideally, you have some key organizational Value Drivers in place (for more detail, see our [White Paper on Value Drivers](#)). Some of these include:

- Your value proposition is crystallized and defensible
- Your financials are up-to-date, accurate, and presented professionally
- Your trends are positive and growing
- The business is not overly dependent on you and you have a strong management team in place
- You have established and documented internal processes

That's the company side. Now we come to the most challenging part – the personal side of being ready to sell. At TobinLeff, we occasionally meet owners who think they want to sell, but turn out to be tire kickers; they're more curious than they are committed. Don't make

this mistake. Entering into a sale process is a major commitment – of time, of resources, and of emotional energy. You do not want to put yourself through it if you are not all in, 100%.

Which is not to say that you won't, at some point, still have the dreaded Seller's Remorse. It is real, and it will come to you. It's inevitable. Sooner or later, you'll question why you're doing it, you'll be sure you're not getting as good a deal as you should, and you'll go through sleepless nights deciding whether or not to back out. A good advisor will help you through this and keep you on track, supporting you completely if there are concrete reasons to walk away, but remaining as a detached, objective voice to talk you off the ledge when it's just the normal deal jitters kicking in.

But before you get to that point, there are other things to consider for your readiness.

Have you thought about how much you have to get from your sale to be willing or able to do it? Is there a minimum figure you need to complete your retirement plan? Or, even if your retirement is already funded, what is the amount necessary to make selling more advantageous than just holding on for a couple more years and, if need be, simply shutting the doors? Here, again, is where a good M&A advisor who is as committed to you as they are to their transaction fee is so important. Your advisor needs to set expectations with you upfront – this is utterly critical – and tell you if they don't think your minimum price is likely. A good advisor will turn down a sell-side engagement with you if they don't truly believe the market will support your price, and then they'll help you figure out your best alternative Plan B.

Are you emotionally ready to let go? Building this business has been core to your identity for years. That can be a hard thing to give up. Be certain, or at least as certain as one can ever be, that you're ready to make that transition.

To help with the letting go, know what you (and your significant others) want to do next. Have your plan for post-sale. Travel the world, get a pilot's license, start another company, volunteer.... It's up to you, and the options are endless. But part of being ready to sell is thinking about these things before you wake up the morning after and wonder, "What do I do now?"

Should + Can + Ready. If you're there, go for it – and call us. But if you're not quite sure yet, still give us a call and we'll help you craft an Exit Plan to give you clarity and a timeline for the journey that will be coming someday.

## About TobinLeff, LLC

TobinLeff is an M&A advisory and exit planning consulting firm that helps business owners sell to strategic buyers and private equity groups. With over 13 years of service and more than 155 engagements successfully completed, the TobinLeff team of 10 M&A advisors and exit planning consultants is dedicated to the mission of helping owners maximize and monetize their life's work. Please visit our website at [tobinleff.com](https://tobinleff.com) for additional information and case studies.



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