



When Should I Sell My Business?... When you least expect to.... *(Time is Not Always Your Friend)*

For many business owners never slow down enough to assess when the best time to sell their business. Many run as fast as they can keeping up with the day to day challenges they face in staying competitive and think about it occasionally but eventually “feel” there is much more to accomplish without looking at the whole picture. The challenge for a business owner is determining that “best time” to sell and in most cases that **time** is when they are at their busiest and the business is on an upward performance trend; and this is when owners should consider a sell process.

Selling under flat or slightly down revenue figures is not when owners witness optimal value for their business. It’s when the business is trending up and there is a definable and measurable growth curve is present or ahead and that story can be told ~ this is when optimal value is harnessed. The dichotomy is that owners always feel there is much more room to run in growing the business without truly considering the capital, effort, economic and political cycles and most importantly unforeseen hiccups which inherently creep their way into any business. For, any of the above could even slightly hinder revenue or EBITDA growth and in-turn ‘taint’ value within the marketplace. Moreover, for the

same value to be recaptured, the owner would need to reclaim the growth trajectory and demonstrate it over a multi-year period for the market to reward an owner for that effort, time, investment and potential risk.

Time and time again we see owners wanting to go to market, receive above market values and through the process Clients actually “re-sell” themselves on their own business. This thought process much of the time automatically inflates owners original value expectations as they are blinded in only the future potential value vs. the effort and risks involved in today’s economic and political environment. Furthermore, many have decided to stay the course expecting value to rise overtime and instead run into some of the inherent challenges and expect the market to reward them with the same value as received previously. Instead the market has moved on, others within that sector have already harvested that value from them (usually the first group of sellers in a niche dictated either by product or service or geography witness higher values over (“vs.”) second movers as capital/buyers has found their “bets” in that vertical/industry and staying with a specific horse); or as sometimes as the case, the original growth projections did not live up to what was advertised.

*“The challenge for a business owner is determining that “**best time**” to sell and in most cases that **time** is when they are at their busiest and the business is on an upward performance trend” – Thus producing leverage in a sell-side process & the market in most cases allows that value to be harvested and captured by the sellers...*

Deciding to Sell is Never Easy (nor was building it)...



“The story” and momentum drive value in today’s marketplace and business owners are best served and can harvest optimal value for their business when the business is performing well, executing on the growth strategy and feel there is plenty left in the tank and fear they may be leaving money on the table. With creative structuring, pro-forma “normalizations”, clearly presenting relevant run-rates, rollover equity and solidly defined earn-outs can ensure that potential future value can also be harnessed while at the same time capturing optimal market value vs. waiting and potentially losing considerable value through some unforeseen circumstance, weak economic cycle, or being at the will of the various political risk which has creped into many middle market businesses today.

SUMMARY TAKEAWAYS:

- ❖ *Harvesting Optimal Value is When a Business Owner Feels There is Plenty of Growth Left/Ahead of Them vs. A Plateau in the Business*
- ❖ *Must Consider the Effort, Working Capital Required, Various Risks (Cyclical, Economic, Political, etc.) and the Inevitable Unforeseen Hiccups which Occur in a Business which Crater/Damage Enterprise Value*
 - *If a Business Witnesses Any of the Above it Takes Multi-Year Demonstration of Execution to Revive that Value In The Marketplace*
- ❖ *Creative Structuring, Pro-forma “Normalizations” and Earn-outs Allow the Opportunity to Witness a Portion or Most of that Potential Value Today*

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