

# Ready, Sell, Go!

Timing the sale of your business based on external and internal factors can increase its value and let you leave on your terms.

When it comes to selling your business, timing is half the battle. With a multitude of external and internal factors affecting the transaction, selling during opportune times could mean increasing the value of your business.

## External Factors

While recent economic news may be disheartening for many, business owners thinking about selling their business can breathe a sigh of relief. The market for small and midsize businesses is still strong, and many of the current economic conditions favor sellers.

**Abundance of Buyers** // For a variety of reasons, the current market has an abundance of buyers competing for well-established businesses, including high-net-worth individuals, private equity groups and other companies.

Due to the recent economic woes, many past and current corporate executives are now looking to buy small companies. These high-net-worth individuals have entered the market in search of opportunities to gain greater control over their careers. They often have extensive management experience and enough capital to acquire small private businesses.

Companies generating more than \$5 to \$10 million in revenue are usually candidates for private equity groups and existing companies actively seeking acquisitions.

Private equity groups currently have significant amounts of uninvested capital, and they are anxiously looking for good, solid investments throughout the country. Likewise, companies or “strategic” buyers are continually looking for ways to grow. Buying an existing company allows immediate entry into a new market, acquisition of additional product lines and expansion into new geographic areas.

**Tax Rates** // While there are many ways business owners can reduce their tax liabili-

ties on a transaction, capital gains tax will inevitably consume a portion of the profit. The current federal capital gains rate is at a historic low after having dropped in 2003 from 20 to 15 percent. Business owners thinking about selling in the next few years should take advantage of this rate, as many tax experts predict that legislation will increase the rate to 20 or 25 percent within the next couple of years.

**Credit Markets/Interest Rates** // Despite the many economic concerns in the market, many lenders are still ready to help entrepreneurs fund small business acquisitions.

The current low interest rates can help buyers borrow more for less, which allows them to pay more for the businesses. For transactions less than \$3 million, consider the Small Business Administration (SBA) as an important financial resource.

## Internal Factors

While external conditions can significantly affect the value of a business, internal conditions are more important to buyers and their lenders.

**Company Performance** // When buyers purchase a business, they want a profitable, healthy company with an income stream that can justify the purchase price. A company trending negatively is an immediate red flag for buyers and their advisers. Business owners should sell when profitability is growing. It also is important for companies to display signs of growing efficiency by controlling

expenses as sales increase. Strong financial performance builds buyer confidence, increasing the company’s value.

**Personal Expectations** // The most important consideration in timing the sale of a business is the seller’s personal motivation and readiness to sell. Business owners who are sincere about changing their lifestyle will stay engaged, helping the transaction proceed smoothly through what can be a complex process.

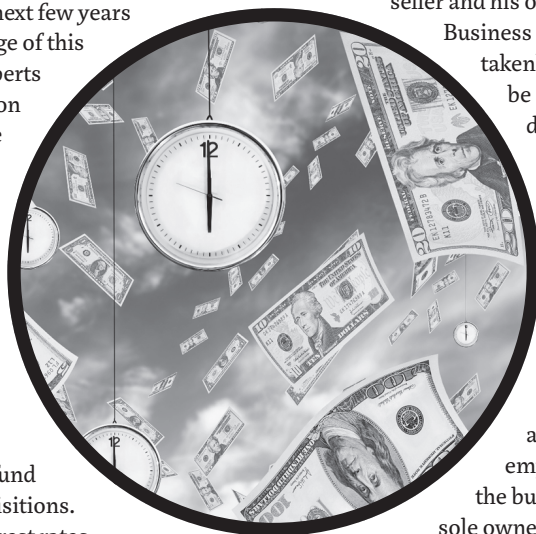
The sale of a business is more than just a financial decision; it is an emotional decision that requires careful consideration by the seller and his or her entire family.

Business owners often mistakenly believe that it must be an “all or nothing” deal, in that either they walk away from the company completely or stay 100 percent invested. Instead, many owners choose to continue working in the business as an investor, a consultant or an employee without the burdens of being the sole owner.

The best way to determine when it is time to sell your business is to look at the external conditions, the internal factors and ask yourself, “What do I want to do with the rest of my life?”

Remember, the sale of a business is negotiable and flexible, so make it work for you.

After all, there is only one chance to get it right.



**Tim Skarda** is the president of Allied Business Group, a mergers and acquisitions and business valuation company based in Leawood.  
(913) 897-3599 // [tim@alliedbizgroup.com](mailto:tim@alliedbizgroup.com)