



When is the time right to sell your business?

You've spent years building your business and now you're finally thinking about selling it. But when exactly is the best time? Getting the timing right is hugely important as it's a key value driver – get it right and it can have a significant positive impact on your company's value and the prospects for a successful sale. Get it wrong and the value of the business could be significantly impaired.

Getting the timing right

You'll never know when it's the best time to sell. Therefore, it's better to look for a good period to sell in rather than one specific point in time. Of course, this period itself will vary depending on your own preconditions, the performance of your business and the state of the M&A market.

With that said, every business has its Goldilocks moment. This is typically when you are ready to sell and your business is doing well; the financials are trending upwards, sales are booming, the team is strong and demand is high. Naturally, it can be difficult to walk away when your business is doing great, but when these aspects are aligned, that's the exact time to make your move.

Making a good impression

Many buyers, particularly large and well-financed companies, are inundated with solicitations from would-be sellers, so it's important to make a good impression from the get-go. This means making sure your company has a good growth story to tell, with a consistent history of growth as well as a relatively large growth trend in recent years.

Keep in mind that what determines a 'large growth trend' will vary by industry. What never varies, however, is the fact that growth is a key component buyers will look for. You need to be able to objectively demonstrate recent growth to potential buyers. By doing this, you'll be able to defend the price you seek when your business enters the market.

A profitable company is, in principle, easier to sell than a turnaround case. It's better to impress buyers with a three-year record of revenue and profit growth, than to start off on the back foot having to explain to buyers why things will turn around. The goal is to sell your business when it is still on an upward growth curve. While this might sound counterintuitive, it will make your company much more attractive as an acquisition opportunity.

The alternative – selling a business with flatlining profits – is a harder sell. It's not an impossible feat, but chances are it will attract a much lower valuation. That's why, if you want to get the best outcome possible, it's a good idea to time the sale with the company's growth story in mind.

Attaining critical mass

As your company grows, not only does it become more valuable by virtue of its growing profit stream, but your business will also be an additionally attractive acquisition target if it has attained critical mass. This is when a growing company has become profitable enough that it no longer requires outside investment and is self-sustaining.

A business that has reached critical mass is attractive to buyers for a number of reasons. It is more likely to have a wide customer base and a stronger brand name. As your business grows, it is also likely to be less vulnerable to attacks from competitors and able to attract higher quality staff, particularly at management level.

Just like good financial records, these elements will help your business make a good impression on potential buyers.

Keeping an eye on market conditions

While business performance is very important, changes in the market can also affect the sales value of your company. If your business's industry is thriving, it's a good time to sell the company and move on to your next project.

A valuation bubble, for example, can be very advantageous. If there's a bubble in your sector – meaning asset prices exceed their intrinsic value – you may want to consider selling your company, even if this wasn't on your agenda, as this is likely to be the moment when your business reaches its peak value.

Another factor to bear in mind is the state of the M&A market. If the market is buoyant, it will be easier to sell your business and there is a good chance that your business will receive a higher valuation. If you are getting an increasing number of unsolicited offers, this may also be a good sign that the market is favorable, and it's the right time to sell. It may feel counterintuitive to sell when things are going well, but that is precisely the time to sell. Most buyers look to acquire a business that is on an upward trajectory, so you'll have more interest and will likely be able to sell more quickly.

Determining the time scale

The best time to sell your business also depends on the duration of the sales process. Selling a business is a long and complex process. Preparing your company can take several years, depending on what changes need to be made, while the execution stage takes between six and nine months on average.

When timing the sale of your business, it's a good idea to keep this timeline in mind. This is especially pertinent if you are selling your company so you can retire. Most buyers will want you to stay on after the sale during the transition period, albeit normally in an advisory capacity. Taking this period into account will also give you a better idea of when to sell.

Timing is a key driver of value for the sale of your company and is something you absolutely want to get right so that you can extract the most value out of the deal.

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