

Knowing When To Say When Helping Private Business Owners Make The Sale Decision

You've seen it before – the athlete who comes back for one more year, the actor or musician who can't remove themselves from the limelight – and have wondered if they will ever call it quits. As we all know, there are people in this world that will, metaphorically speaking, take their last breath at the office. Some will be there out of necessity while others because it is where they are their happiest. For many private business owners it can be a combination of the two, with the decision to leave the business complicated further by the emotions surrounding the decision. While many owners of private businesses are capable of reducing their role and proactively addressing succession or change of ownership, many continue to run their companies past the point at which a sale may make the most sense from either a financial or personal point of view.

While it does not need to be completely mapped out, private business owners should step back to consider when, and perhaps more importantly how, they will leave the business. Even with planning, there are a host of questions that need to be addressed. *When do you want to stop working? Who would want to buy the business? What will happen to your employees? Is management in place that may make the business more attractive (and more valuable) to a buyer?* These questions are in addition to the many financial ramifications or motivations for selling the business.

A common factor in the answer to many of these questions is timing. Perhaps the business is coming off of a strong year and has attracted interest. However, if the business is on the verge of strong growth, perhaps waiting a few years will increase the value. On the other hand, if the business is rebounding off some tough times, waiting for a turnaround may be the only way to obtain a reasonable price. Still, there are times when uncertainty surrounding the performance of the business may warrant a transaction. Warren Buffet is often credited with the story of a horse owner who explains to the veterinarian that his horse sometimes walks fine and other times cannot walk at all, offering no explanation. After conducting a full exam, the veterinarian comes back to the owner and tells him, "Sell the horse while it's walking."

The next key component to the sell decision is price expectation, which is why having a sense for the value of your business is so important. Even when a potential sale is not being considered, understanding how the market would value your business can put you in a better position in a variety of situations – from arranging financing to responding quickly and intelligently to unsolicited interest that may arise. A number of different resources – from investment bankers to accountants, the choice of which may depend on the size of the business – can be contacted to assist in this regard. Most buyers will hit on this point early, as negotiating with a seller with unreasonable valuation expectations will prove to be a waste of time for both parties.

In addition to timing and price, there are a several other items to consider. For example, is it preferable to sell for cash, stock or some combination? What are the legal

ramifications of selling the stock versus the assets of the business? Do you want to leave the business outright, or would you consider a partial sale that could provide both financial security as well as continued ownership with additional upside opportunity? Finally, who will manage the sale process for you while you focus on running the business day to day?

Deciding when to sell your business is a complicated and involved decision under the best of circumstances. Making sure you are fully informed of your options, understand the current market environment, and have the latest insight into structuring techniques can successfully minimize the risk of doing a bad deal or, perhaps instead, coming back for one more year.

Harpeth Capital, LLC provides the complete range of investment banking services to public and private healthcare companies in the middle market. For more information on financial advisory, capital raising, valuation and related services available through Harpeth Capital, LLC, contact Adam Landa, Vice President, at (615) 296-9849 or adam@harpethcapital.com.