

Is Now a Good Time to Sell My Business?

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This is the most common question I receive from owners contemplating selling their business. Obviously there wanting to time the sale with an increase in confidence in the business sales market. You need to consider all factors when selling your business however, the answer has less to do with market conditions and more to do with the current state of the business for sale, as well as the owner's reasons for selling.

When timing the sale of your business consider the following three factors.

Overall Market Conditions (Not so Important)

Although there have been changes in the business sales market, carefully studying business sales statistics over the last 10 years we see that, when considering the final sales price relative to EBIT, there has not been much fluctuation in sales price despite changes in overall economic conditions. The number of businesses that sold for higher prices (between 2 and 4 times adjusted net profit) has not varied more than 7% over the entire 10 year period. Relatively speaking, what sold for a good price (comparative to adjusted net profit), in an overall weak economic conditions, brought a similar price during a stronger economy.

State of the Business (Important)

The current condition of your business is a significant factor in timing its sale. Businesses that show a strong track record of steady or increasing sales and profitability will always sell faster and for a better price than those that are in a decline. If your business is up or steady, this is a better time to sell. No matter the global or macro economic factors surrounding your company, if your business is up, the demand for it and the sales price will follow.

Goals of the Owner (Most Important)

Your personal goals or circumstances are usually the most important factor in timing the sale of your business. Whatever the reason for the sale of the business (distress, retirement or health being the most common), if it is the right time for the owners, it is usually the best time to sell. By waiting or delaying the sale as a result of speculation about current market conditions the owners may be putting themselves in a bad position. I have many sad stories of owners who have underestimated the time to properly market, sell and transfer a business. They waited too long to begin the process and found themselves in a highly compromising situation as they went to sell their business. The amount of time an owner has to sell their business will directly affect the way it is marketed and priced. The more time you have the better. In a worst case scenario, time can destroy the chances of selling your business for a fair price when you are faced with a drop dead date on which to have the business sold.

In summary, as you think about selling your business, all of your goals should be considered, however, it is always better to begin the process early and make sure you have plenty of time to do the job right.