What’s the top concern you hear from prospective sellers, and what’s your advice?

Dexter Braff, Braff Group

Once we get past price and terms, the “softer” elements of the deal become more meaningful. Will the buyer retain most of my employees? Will they carry on the legacy of the business? If the seller is not retiring, how restrictive will the covenants not to compete be? How long will the seller be on the hook for any post-deal issues that are covered by indemnification language?

Depending on just how important these, or any other items, are to a seller, they may choose to incorporate language addressing them at the letter of intent stage, before due diligence and crafting the definitive purchase agreement. That said, sellers should take care not to add so many provisions such that letters of intent become de facto purchase agreements, less they slow the momentum down or frustrate the buyer. Better to address the “want-to-haves” (as opposed to the “have-to-haves”) later on in the process, when the buyer becomes more invested in the transaction and may be just a bit more accommodating to insure a successful close.

Robert Rough, Telos Capital advisors

We had a big increase in inquiries about selling in Q4 2018 when the public markets fell off, there was lots of talk of recession, and trade tariffs were a big item. Prospective sellers were concerned that they had missed “the top”. In general, prospective sellers’ biggest concern seems to be leaving money on the table by selling too early. We counsel our prospective clients against trying to time the market, especially since it takes so long to close a transaction once you begin the process. Buyers are generally pretty smart; if you wait until the market in your industry has peaked or a recession has begun, you probably waited too long. Buyers will price the uncertainty of the depth and length of the trough into their bids, if they even bid at all.

Sellers should sell when the market is good, their business is solid, and potential buyers can still envision some upside.

Allie Taylor, Orange Kiwi

The list of concerns varies widely, but often includes things like “will I get a fair enterprise value”, “what will I do after I sell”, “how do I avoid paying too much tax”, “will I have enough money to do what I want”, “are the multiples really the highest they will get or should I wait”, “who do I trust, my CPA, attorney, wealth and asset manager, coach…”, “how do I resolve competing advice”… and the list goes on. What owners that have achieved successful transactions (meaning they are happy 12 months later) ask is, “How do I get the transaction I really want?”

No matter what the concern, my advice is often the same: a) the presenting concern is rarely the real issue holding an owner back from successfully selling their business; b) achieving a successful transaction depends on the owner’s ability to conquer their own psychology so that it does not get used against them; c) this requires owners engage in creating clarity about what they do and do not want for 22 variables in 3 domains (business, money, and self). This understanding increases the owner’s control of their exit and enables them to avoid making compromises they later regret.

Keith Dee, Osage Advisors

“What is the value of my company in today’s market as I am constantly getting calls from people looking to buy my business?”

Our advice to them is that after running your company for 10, 20, 30, or more years, you owe to yourself to test the market when you are ready to sell. By hiring an investment banker who will run a controlled auction process for your business, potential buyers will competitively bid for your company and set the current market price. The business owner will then have options to choose who he thinks the best buyer is for his business based on several factors including price, culture, what’s best for his/her employees, and the legacy of the company

Steve Raymond, The DAK Group

Sellers are constantly asking us questions like: When is the “best” time to sell my business? It seems that we are in a seller’s market now; should I put my toe in the water now or should I wait to generate stronger revenue or profitability? Am I leaving money on the table not selling now?

All businesses are unique, and the market for them is just as unique. When selling a business, an owner has to consider a myriad of issues. Valuation, while important, is not the only consideration. Owners need to consider not only what is best for themselves, but also for the business. Think carefully through the implications of a sale, both to the owner and the business. This exercise will allow the owner to prioritize what is most important. Allow these priorities to set the timing and the potential targets in a sale process. An owner is more likely to develop a successful outcome when success is defined at the front end.