

Sell? Maybe Next Year! (But Act Now Anyway)

Three years ago my partners and I sold our business. We were all of a similar age, all boomer-generation business owners, looking at third acts and not wanting to pass up opportunity. We had long envisioned selling the business. That doesn't mean it was an easy decision. I, for one, had serious reservations about stepping out of the business as it was still growing. However, we had learned a lesson (rather painfully) when we didn't act on a fabulous offer that came right in front of the 2008 financial reversal.



If you're a boomer-generation business owner, you've likely done serious heavy lifting to build your company. Stepping away just may not feel right at this time. I get that. **But I know this: now is absolutely the time to pre-plan, align your leadership, and be positioned for both growth and a full value deal in the future.** After all, if a phone call comes to you and the person on the other end has an opportunity, you want it to go your way.

Today's investment environment has serious money on the sideline. Private equity companies are searching for great deals with lots of available Other People's Money (OPM) and interest rates are at historic lows to support leveraged deals. Quality synergistic buyers have been retaining earnings and need to expand market share and put their capital to work. Tony Schneider, Investment Banker at BKD Corporate Finance says, "We've been seeing strong multiples on premium properties over the last couple of years and with the economy likely near the midpoint of a run up, our clients are recognizing it as prudent to act now rather than on a downturn." With that in mind, here are three ways I suggest you act now, even if you don't want to sell until later.

Align now

If they're top quality (and paying attention), your senior leadership recognizes that your day for divestiture will come. In fact, they may be wondering about your plans and have some insecurities. When the time comes to entertain a bluebird offer, or you make a decision to go to market, you're going to need them by your side. Due diligence by a potential buyer is both exhausting and difficult to disguise. Instead, be proactive. Set up Long Term Incentive programs that share an ever-expanding pie of value. Help your senior leadership feel not just included, but truly invested. That way, you can secure and incent them for everyone's success in the future.

Optimize now

It's pretty extraordinary to find a small to mid-sized business that practices formal strategic planning with action plans spelled out. Practicing advanced planning methods not only impresses a potential buyer, it also reduces your business risk, sets in motion continuous improvement, and develops a high performance culture and leadership team. Private Equity firms universally seek value businesses that generate cash flow and a track record of multi-year success. They also generally NEED key management in place. Strategic buyers also value management – but even more than that, they're looking for reduction of risk along with a synergistic acquisition.

Prepare now

What about that phone call? The one with the opportunity? If an acquirer is seriously interested, and you're ready to act with a Letter of Intent, the next step will be due diligence. That means a review of the past three to five years. If you haven't been archiving and documenting your business, don't have proof of management expertise (planning and execution), and have not attacked and mitigated risk, you are setting yourself up for a hefty discount. The value of your company simply won't be as strong without that kind of documentation.

At my previous company, each year we conducted formal strategic planning with an outside facilitator. We constantly looked to reduce risk and seize high yield opportunities. We created a leadership team that fully ran the front line. When asked to populate a data room for due diligence, our team completed 99 percent of all items in two weeks. Certainly we had negotiations. But our position was strong – and that reassured the buyer that we were a premium asset.

By aligning now, optimizing now, and preparing now, you are acting now. Then, next year, maybe you can sell!