

About to Sell Your Business? Don't Schedule Vacation Yet

June 6, 2024

By Michael N. Mercurio

Perhaps, you're like a number of business sellers I've recently worked with and you're planning to exit your company. If you're a business owner and you've already received a letter of intent (LOI) from an interested buyer, a massive payday may appear to be right around the corner. I'm sure it seems like the perfect occasion to schedule that long-awaited trip to Costa Rica, right?

Not so fast.

It's understandable why a seller would get excited about an LOI. It's certainly a significant mergers and acquisitions (M&A) milestone. It's often the first time the seller sees a price in writing. It's a tangible, formal-looking document that signals *yes, this deal is really happening*.

But an LOI doesn't indicate the end of the deal and unfortunately, it's far from the end. LOIs are rarely legally binding and as their name suggests, they simply express a buyer's intentions and solidifies their interest. An LOI is unlikely to reflect the eventual purchase price, or even indicate that the deal will in fact close.

Many sellers fail to recognize this. They see a dollar amount — typically the largest sum they've ever encountered — and immediately start spending money they don't have. One of the first things eager sellers do is book a vacation 30 days out to celebrate...but deals hardly ever consummate in 30 days or less. When M&A transactions do close, the final sale usually comes after months of hard work and negotiations.

The receipt of an LOI is the wrong time to plan a trip. What an LOI means is that now it's the time to hunker down and get serious about selling your business as quickly as possible. Save your vacation for when you've closed the deal. Besides, then you'll be richer and more relaxed for it anyway.

Originally posted 8/16/19. Updated 6/6/24.