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How to Know if You're Ready to Sell Your Business

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As a business owner, how does one now know the time is right to sell? The easy answer is that the time is right when the owner decides to sell. However, that answer is too simplistic and does not serve the owner well. There are two primary factors to evaluate the timing to sell a business – external considerations and internal considerations. External considerations frequently are not well vetted by many owners. External factors include the market conditions, such as the general receptivity to the owner's business type (e.g., is the market hungry to acquire PT practices). Other external factors that impact market conditions include the tax framework and access to capital. As mentioned, too many owners decide they want to sell without fully understanding the external considerations as to the optimal time to sell their business. The reason this happens relates back to the internal considerations. The owner determines they want (or need) to sell. It could be circumstantially driven (a family illness or death). It could be a mindset such as an owner being fed up with the pandemic. Regardless, the internal pressures/decisions often outweigh what is going happening in the rest of the world.

An owner can manage their mindset by getting themselves fully informed about the true state of their business and how it presently fits into the marketplace. In addition to speaking with the company attorney and CPA, the owner can get the insight of 2 other advisors and services. First, the owner may want to speak with an investment banker. The investment banker can provide the owner with market intelligence about the receptibility of the market to the owner's business, as well as give the owner insight into how to position the business best for the sale. Further, the owner should speak with a financial advisor. Because a significant component of any sale relates to financial considerations, having an excellent financial advisor help the owner understand their financial picture is key. The financial advisor should do two things. First, this advisor should work with the investment banker/CPA to get a true market value for the business to include the likely composition of sale funds (all cash, cash plus deferred monies, etc.). Second, the financial advisor should work with the owner on their personal financial situation. Having an understanding of what the business is likely worth in the market coupled with the financial needs of the owner allows the owner to go into the selling state fully informed and ready to powerfully evaluate any offers. I find that too many owners decide to sell without having their financial house in order and thus have no ability to vet offers to know that the offers are fair and workable.

Lastly, an owner may know they are ready to sell when their mindset is clear. When they have purpose beyond the business. I have experienced a number of owners that have sold their business only to become lost and disaffected. An owner that wants to sell needs to deliberately develop their "life" after their business is sold.