Press Release

For Immediate Release

Selling Your Business Still Possible In Tough Economic Climate

Key is to plan meticulously—and seek the aid of a professional

San Diego, CA, January 23, 2009—The recent crash of the major Wall Street firms and retreat on the part of many venture capitalists has led to the impression that any kind of business acquisition activity and financing has dried up. Nothing could be further from the truth. As a matter of fact, investment bankers and business brokers are busy making deals.

Small-to-medium sized companies, particularly those with sales in the range of $5 to $25 million remain highly sought after. The difference between today and twelve months ago, however, is that business owner-operators looking to sell their businesses must be perceived to be the cream of the crop. It is quality, not quantity, which rules the day. There are numerous buyers out there, including individuals, as well as existing businesses looking to expand. Financing can be obtained from regional and community banks and private sources.

Michael J. Kucha is a specialist in the field of business acquisition and corporate turnaround strategies, with over thirty years experience. Kucha is the founding Managing Director of Timeline Advisers, LLC, a consulting firm that is a pre-transaction, coordinating advisor to business owner-operators contemplating the sale of their companies. In this capacity, Kucha operates much like an event planner, helping to pull together and manage a team of experts and specialists to bring about the desired results. His past efforts have helped garner hefty returns on investment for his clients.

Says Kucha, “sure, there is more cherry picking going on in today’s economy, but business owner-operators shouldn’t lose sight of the goal—at some point they’re going to want to cash in on all of their hard work and sell.” The key, says Kucha, is to start planning early and do something they may not be accustomed to: hire outside professional help. “Failure to do so,” adds Kucha, “can lead to calamitous results”.

This is the true story of a business owner-operator. We’ll call him Tom.

In his wildest dreams, Tom never thought he’d be staring at this kind of a payout for his business. After just 8 years in operation, Tom had received an offer to sell his $4 million software company at three times revenue, or $12 million. A letter of intent was signed and due diligence for the purchase begun. There was only one problem…

Like many owner-operators, Tom ran his software business with loose accounting. Many expenses attributed to the business were really for personal purposes. As expenses attributed to the business, however, they naturally had the effect of decreasing profit margins. This made the overall business fundamentals appear weaker than the buyer anticipated and raised questions on their part—questions to which Tom had difficulty providing answers.

Over the course of several weeks, Tom tried desperately to reconstruct 8 years' worth of financials in order to provide a truer representation of the business. Frustrated by Tom's attempts at answers and becoming distrustful of the entire situation, the buyer backed out of the deal.

A Deal Gone Bad Can Cost Hundreds of Thousands of Dollars—Or More

Tom's story is not a unique one. There are countless stories of business owners whose deals fell through or who netted a lower price for their business than they should have. That's because it is relatively easy to generate a letter of intent from a potential buyer. It is altogether more difficult to smoothly navigate the tedious and complex due diligence process. In Tom's case, he not only lost the deal, the entire process cost him over $300,000 in attorney, investment banker, and other professional fees.

Another business owner-operator had the purchase price reduced by $1.5 million after the due diligence process unearthed a lack of Intellectual Property Assignments for the software the business had developed through its employees and independent contractors.

Start Planning Early and Get Help

Successful business owner-operators are a talented, creative, versatile lot. They've achieved success due to unfailing vision and determination, often venturing into areas where they lacked expertise, only to come out victorious. That's why many business owners don't think of looking for outside assistance when preparing their business for sale.

The problem, however, is that the due diligence process involves not only a legal oversight of the sales transaction, but an entire audit of one's business. And much as it would be reckless for a business owner to go into an IRS audit without professional assistance, it would be foolhardy to do the same when preparing an exit sales strategy for their business. The key, much like breezing through an IRS audit, is to have your ducks lined up—before ever engaging with a buyer.

Let the Professionals Worry About the Details—And Maximize the Sales Price

Business Sales Management professionals recommend any owner contemplating the development of an exit strategy take the following steps:

1. Start early—in fact, as much as two to three years before putting the business on the market. This will allow for sufficient time to conduct a thorough review and, more importantly, to address any significant issues and get them fixed.

2. Have a plan—much like an annual business plan, develop a framework for packaging, attracting buyers, and selling the business for a targeted price.

3. Involve specialists—the many complex issues can span across a wide spectrum, including legal, accounting, operations, wealth management, business valuation, and more.

Business sales management professionals coordinate these activities seamlessly, navigating through the complexity and multifaceted aspects of selling a company, allowing business owners to devote their time where it is needed most—the ongoing operation of their business. The end result: a more efficiently run business, and smoother, faster business sales closings—with lower out of pocket costs, less risk, and a maximized sales price.

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