

## Waiting too long to sell

*"Next year," you told yourself, "I'll be ready to sell then."*

These same words have been echoed by hardworking entrepreneurs across the country; by people who aim to sell their businesses, retire to an island in the Bahamas, even out their golf swings, and spend well-deserved time with family. But now, the pandemic has complicated that possibility. A global health crisis and consequent economic downturn have put some individuals out of business while others are stuck conducting remote Zoom calls, navigating cost-saving strategies, and assessing future risks for their companies.

As an investment bank for entrepreneurs, Strategic Exit Advisors has directly witnessed the challenges and unknowns COVID-19 has created for small and mid-sized businesses across the United States. Unfortunately, pandemic aside, this is not the first time that we have seen the repercussions of waiting too long. As exemplified by the following war stories, business owners who are not mentally, financially and structurally ready to sell often see the value of their businesses decline.


### **Think Logically**

Entrepreneurs are optimists by nature. No one knew this better than Bill, a small-business owner and risk-taker. After 32 years of running his company, Bill had one objective: to fund his retirement. Despite optimal market conditions, stable operations and advice from his business coach, he decided to wait 2 more years. Although he could not articulate any concrete objectives, he believed that his business had not reached its full potential. COVID came, he lost a valuable employee, encountered fierce competition and saw his revenues decline. By listening to his gut over reason, Bill missed his window.

### **Know your Numbers**

Madeleine and Terry, two young business owners, were ready to sell their company and embark on new projects. However, upon reviewing the business's financial statements, it was revealed that a basic bookkeeping system and unorganized data hindered their ability to supply necessary information in a timely manner. The solution was a costly and time-consuming financial audit. Then, the pandemic hit,





and the non-essential business was rendered useless after the lockdown. Immediately, revenues dropped, and all employees were laid off. Operational unpreparedness had caused delays in Madeleine and Terry's selling process, resulting in an unexpected loss.

### **Pay Attention**

Joe ran his company for 25 years before he decided that it was time to exit. He believed that he had a liquid business, stable structure and strong management team. But when his advisors reviewed his materials, they found outdated operating systems, falling annual revenues and noncontributing employees. Joe's business would not withstand due diligence because it had deteriorated with time, a problem that could have been avoided by consulting with an investment banker sooner.

Bill, Madeleine, Terry and Joe are a few examples of numerous business owners who waited too long. Their war stories highlight the importance of being mentally, financially and structurally prepared. Because, in the end, you cannot predict the exact timing of a global pandemic, economic recession or new product innovation – you can only act early. So, if you are thinking about selling your business – don't tell yourself "next year," tell yourself "now." Take our 18-hole survey or connect with a SEA managing director to see whether you are ready to sell.

*\*all names referenced are fictional*

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