



## **Jim's Profit Accelerator 128: When to Sell Your Company**

Let's remove most of the mystery about when to sell your company. Once you've decided to sell, the choices are manageable.

**SPEED BUMP:** Letting go is more complex and tougher than you thought.

If the company's struggles are beyond help, or if you just want to be done with it, or a "too good to refuse" offer shows up, then find out from an expert what it will take to sell it, and sell.

Otherwise there are three situations facing you, and your task is to pick one. Here they are:

- 1. Sell in the next year:** This offers the lowest price and usually requires several years of employment contract (you aren't out yet). It also means that sale proceeds will probably be spread over several years and sometimes tied to business performance after the sale. If this is your choice, get expert help in "putting lipstick on the pig." That means cleaning up things that matter, usually financial and legal, and ignoring all else.
- 2. Sell in two years:** Do this when you see specific actions that current leadership can take that will improve either EBITDA, the quality of financial reporting, or prospects of future profit growth. Shift immediately to audited financial statements to have at least two years of audited statements for the buyer.
- 3. Sell in four to five years.** As explained in my book\*, this offers a chance for dramatic improvement in sales price if you'll take these steps:
  - Develop an executive team that can successfully grow the business without you.
  - Build and start to execute plans to grow revenue and profit.
  - Develop a general manager capable of replacing you as CEO.
  - Change financial statements so that you can offer three years of audited financials at time of sale.
  - Grow profit at least 4 percent per year.

Properly executed, these can boost business valuation up to 76 percent over the present time. \*The book is *The Other Side of Succession*. Email me for a copy, absolutely free.

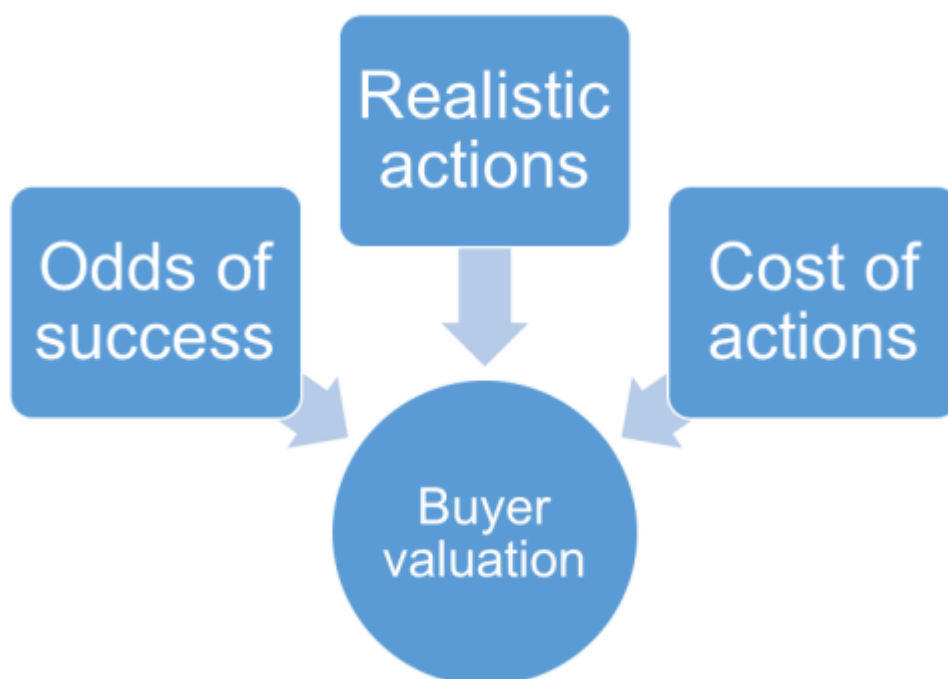
**SPEED BUMP:** Think like a buyer when you make your plans.

Your business is more special to you than it is to a buyer. You both see the same historic financials, but views of the future are where price negotiations occur. The better the future looks to your buyer, the more she'll pay to possess that future.

Investments made now should impact the future even more than the present. That impact can improve profit or reduce risk; both add substantial value for a buyer.

The buyer questions are:

1. What are the odds of meeting the financial projections for the next three to five years?
2. What can be realistically done to improve the odds?
3. How much investment will I need to make to make those odds favorable?



If you choose to sell, after all this, hire an experienced expert to guide you. Use the Surgeon Rule: If my life is at stake, I want the most skilled, experienced hands available. Bedside manner is nice but not necessary. This may be the biggest investment of your life.

There are three types of experts you'll need. Each should pass the Surgeon Rule for effective participation in successfully selling many business similar in size to yours.

- **Legal and CPA.** The hundreds of details that these experts will deal with can impact whether you sell, and for how much. Neither of them, however, is usually the most effective in guiding preparation and negotiation of the sales transaction.
- **Financial expert in selling businesses like yours.** Your expert should have guided buyers and sellers of many businesses successfully, demonstrating both market knowledge and negotiation skills. While legal and financial cleaning can help improve the final sales price, a skilled deal maker (usually a financial expert) usually offers the best odds of a successful sale.

**ACCELERANT:** Are you ready to sell?

For more information, visit [www.grewco.com](http://www.grewco.com).

Jim Grew, the Business Defogger and Accelerator, helps leaders discover hidden opportunities within their businesses and exploit them for dramatic results. Jim has led 9 businesses, worked in 31 companies at C-level, and is an expert in strategy and executive leadership. He presents regularly to industry groups, mentors business leaders, and shares insights in his Executive Letter (above). Jim holds BA and MBA degrees from Stanford University. In his new book, *The Other Side of Succession*, he shares how to plan for the future by growing your business now.

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