



An Insider's Guide to the Maze of Selling Your Mid-sized Private Company

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Whether you are a corporation looking to sell off a non-core business holding, or an owner looking to sell the company you've built, you want the same thing:

First, to intelligently consider, compare and evaluate all your options.

Then, if it is a sale you desire:

To sell at an optimal value.

To ensure your employees are fairly treated.

To achieve the sale without endangering the business, its competitive position, or its intellectual property.

To canvas all the possibilities with utmost discretion.

To do it all in a time- and resource-efficient way.

To get back to your core business. . .

. . . or to your new life.

Then there are the many tactical questions and considerations.

The following are only some of the questions and concerns we have gleaned from our clients and personal experiences over the years, as advisors, principals and private company executives:

- What is my company worth?*
- If need be, how do I increase the value of my company?*
- When is the right time to market and sell the company?*
- How do I do it, exactly?*
- What is the optimal process for me?*
- Where do I start?*
- What are the key steps?*
- How do I protect myself and my company?*
- How disruptive will this process be?*
- Can I do it with my team, or do I need an advisor?*
- What are the costs of this process and the terms of engagement?*
- What are the timelines of this process?*
- Which of my employees do I bring into the loop?*
- Are the market conditions right for a deal?*
- What are the current deal terms?*
- How should I structure the transaction, cash vs. shares for example?*
- What can I be doing now to get prepared?*
- Where do I go from here?*

Over the next ten instalments, we will attempt to provide insights on many of these and other important questions.

We can't cover all the bases here, but hope we can illuminate the topic of selling your private, mid-sized company and planning for the exit, and providing insights on areas for further examination.

Watch for upcoming instalments, and happy reading!

Part 3 – Discover the right time to sell your company



When is the right time to sell your company?

This seemingly simple question is the most vexing one entrepreneurs and business owners face.

It is generally accepted that waiting until you need to sell is a recipe for being picked clean by the buyer, whether for business reasons (a cash squeeze in the business or changes in your industry that are harming the value of the business), or personal circumstances (health issues, divorce, or loss of energy/motivation).

There is plenty of evidence showing that starting the process well before you are ready to sell is the best way. This is our experience as well.

Being proactive allows you to tidy up your company and its contracts, records and processes, and to prepare the materials you will need to market the business.

You will also have the luxury of picking the right time to sell, when business results are strong and prospects are good.

To many healthy 45-or 50-year-old owners who are running healthy businesses, this decision is a chicken-and-egg paradigm.

Do you just decide to sell out of the blue? Do you follow age-driven social conventions?

Or do you hang on until you have more clarity? But what if you never get more clarity?

For starters you should take the “exit” out of the planning process, at least initially.

Exiting is a notion that is rightly terrifying to most entrepreneurs, and therefore a potential roadblock to even beginning the process.

As a first step, business owners should get an independent and credible assessment of the current achievable market value of their business — the key word being achievable.

You may be shocked at the figure, either positively or negatively. This could change your timeline for when you exit your business.

Next, you should get an assessment of your options (status quo, selling now, bringing on an investor or partner, merging with another company, liquidating the company, etc.).

Your analysis should include the possible impact of each on your net worth and that of the company’s other key stakeholders.

Seeing the results on paper may open your eyes as to what is possible, and what is reasonable and achievable.

This package of information offers partial solutions to the equation that represents the optimal time to sell your company at a single point in time.

It alone may point you in the right direction, or at least give you a better sense of how to focus your strategy.

With this financial context, you can also reflect honestly on your personality and lifestyle preferences: What gets you out of bed in the morning, what you want out of life, what your dreams are, what you are “meant to do,” etc.

It is hard for an entrepreneur to do a personal assessment in a vacuum.

Without the financial context, it is all airy-fairy.

But it is still critical, because without it the numbers are sterile and potentially irrelevant or misleading.

And these initial steps can be done without locking the business owner into any particular choices.

Also, if carried out carefully the process should also not have any indirect effects on the business.

For example, lengthy distractions that cause business performance to suffer, or freaking out employees or family members and causing bad reactions that can hurt the business or personal relationships.

You can decide if and how to share the information and with whom.

The process can then be efficiently repeated at a later time, giving the business owner a trend line on the effects of their decisions regarding their businesses.

It is important to accept that there are no right answers, no full solutions to the equation.

This is a frustrating reality for those who prefer precision in their decision-making, as many business owners do.

And it is the crux of why picking the right time to sell your business is so vexing.

A massive industry has grown around this subject, alternatively called exit or succession planning, life coaching, strategic planning or goal setting.

But there are no foolproof blueprints to walk you through from a standing start to the ultimate realization of your hopes and dreams.

That's important to highlight because it gives business owners some comfort that they are not missing the boat — unaware of a simple, clear and optimal solution only out of ignorance or bad luck.

The key is to arm yourself with information and see where it goes and where your thoughts take you.

Bite off small pieces.

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