Hard times?

Now may actually be a good *time to sell a business*

Given the state of the financial markets and general economy, now may seem like an unlikely time to sell a company. But selling in the current market can actually be less challenging than you think — and may even provide benefits you haven't considered.

Determining whether to sell is always a difficult and complex decision, involving many considerations specific to your plans and business. For example, how urgent is your exit plan and how much do you hope to realize from the sale? Although the current economic environment may factor into your decision, it shouldn't be your primary consideration.

Bad news, good news

To sell your company at a fair price, you need only one buyer that really wants to acquire it. A global credit crunch means that some buyers have limited financing options right now and may not be looking for targets. That's the bad news. The good news is that many of the buyers shut out of the current market are financial buyers — companies seeking opportunistic, short-term investments — such as private equity and hedge funds. The majority of those remaining are strategic buyers seeking synergies and other long-term advantages of an acquisition.

As long as your company doesn't have significant liabilities that may necessitate compromise, remain confident.

These buyers may be willing to pay more for a target that meets their specific needs. What's more, companies that are profitable and not highly leveraged are regarded as attractive acquisition targets regardless of market conditions. Stable earnings and low risk are particularly prized in poor economies, and private companies immune to day-to-day stock fluctuations enjoy an additional advantage.

Owners of larger companies might want to explore whether selling their business in pieces — by division, subsidiary or asset — rather than as a whole is a favorable option. Partial acquisitions can be attractive to buyers who want a specific product line, hard asset such as a production facility or human resources such as a software development group.

Shaping up

As long as your company isn't financially distressed and doesn't have significant liabilities that may necessitate compromise, you should remain confident in its appraised value. Several strategies, however, can help improve your chances of selling well.

Reducing short-term debt, if at all possible, is near the top of that list. If you have outstanding loans or upcoming loan or bond financings, ensure that you're current on payments. Few buyers will be interested in assuming additional debt from a prospective acquisition — particularly debt with onerous rates and terms.

A current business valuation that takes into account your company's long-term performance is also essential. Buyers may try to get a reduced deal price by arguing that any recent performance declines due to a poor economy make your business a less viable acquisition. So you need to be prepared to show that historical earnings are solid and explain to buyers that they provide a better forecast for future performance.

Opportunities remain

If you put your company on the market only to encounter unappealing bids or even deafening silence, your effort isn't in vain. Entertaining offers helps you understand what buyers are looking for. What's more, displaying your strengths can put you on the radar of buyers that are financially constrained now but plan to make acquisitions once conditions improve.

With the assistance of experienced M&A advisors, you are very likely to find a fair price for your business. Good companies are always valuable — even in hard times.