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**Is It Time to Sell Your Business?**

By Barry Moltz

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“Quitters never win and winners never quit.” —Vince Lombardi

In small business, it's not that winners never quit. Rather, winners know when and how to get out at the right time. Making a change is always tougher than the status quo. Most owners hang on too long and delay a decision when their businesses are either wildly successful or just plain not profitable any longer.

**A fading business.** When a business is fading, owners often keep waiting for that the next prospect, the next big customer or a new employee who will make the difference and finally propel the business out of its financial mess. They believe that they can grow their way out of whatever financial difficulty the business faces. It rarely happens this way. Most of the time, they spend too much time going down the same path, doing the same thing over and over and hoping for a different outcome (per Einstein's definition of insanity). Many times, the business barely breaks even and gives the owner only a minimal amount of money to survive. Eventually, too much debt piles up until a lack of cash crushes the business. While hope is an important component of the entrepreneurial spirit, it alone is not a marketing or sales strategy.

**A poorly performing business.** If the business is doing poorly, it may be time to shut the doors. The key indicator is the level and rate of the debt. Watch the cash flow statements to see if the business continues to fall deeper into debt on a monthly basis. If the business is borrowing money constantly from any available source just to fund company losses, it’s time to shut the doors. In most businesses, when the current liabilities become more than 200 percent of current assets, it is too difficult to recover. Finally, if the business is keeping the owner up every night thinking about their financial risk, it’s time to move on and start again.

**A profitable business.** If the business is still growing profitably, maybe it’s time to sell. The key indicator is to look at the business owner’s passion. Does the flame still burn inside? If their passion is lost, and they no longer like working at the company, it’s time to sell. The second step is to ask “What will the owner do the day after the business is sold?" The answer will determine readiness as well.

To maximize a business's sale value, here are five things that buyers look for in any business:

1. Consistently upward profit and sales trends. Buyers love a revenue line that is going up and to the right for at least three years. Understand where a business is in the growth lifecycle and sell towards the end of it.

2. Large gross profit margins. Over time, margins have a tendency to shrink for companies as competitors enter the marketplace. Sell when the margins are still fat and before they begin to erode.

3. Long-term customer annuities. Has the business had the same customers over a long period of time that reliably uses the product or services? Do they pay the business a monthly fee billed to a credit card? Is 80 percent of the business spread over at least 10 customers? All these items attract buyers that are willing to pay high prices.

4. Financial statements that match tax returns. If these statements are not accurate, owners must do more homework before the business is sold.

5. No surprises. Buyers hate this in the due diligence process. Any skeletons in the closet? Any “off the financial statement” accounting going on?

When a successful entrepreneur has a profitable business, too many times they want to roll the dice to build it bigger. Greed gets in the way. They see this as their one chance to get rich. Ask yourself, are you ready to double down or cash out your gains? Set a firm deadline by which you make a decision and do not allow “overtime.”

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