

Ideally, Take 3 to 7 Years to Exit Your Business Properly

Most owners do not realize that they should have a three to seven year horizon to exit their business. Here's why:

Preparing the Business and Planning Your Exit

First consideration should be towards preparing the business for sale. You should plan on this taking from three months to up to three years if you decide to implement value enhancements to make the business more attractive to potential buyers. You may need to develop a management team, improve cash flow, document systems and processes, and develop a succession plan. Each business situation is unique. Your particular situation is dependent on the alignment of your personal, financial, and business objectives.

Selling the Business

Once the business is brought to market, actually selling it can take anywhere from ninety days to two years; in some cases, depending on the owner's urgency, even longer than two years. Selling a business is as much art as science.

There are three distinct stages to selling: Positioning, Marketing, and Closing. It usually takes 30 days to collect information, build the data room, develop a marketing plan, and another 60 days to generate initial buyer interest. We work in 120 day cycles from the point that we begin marketing the business. Each cycle is built on a specific marketing plan and conditions set forth by the owner. It could take two to three cycles to get to offer. It will usually take another 60-120 days from offer to close. If we take an offer and do not close, we will need to begin the process again from the beginning which is why selection of the "right" buyer is very important.

Getting Your Money Out

Although all cash deals are not out of the question, prudent buyers and financial resources will usually want to see the exiting owner with "some skin in the game" for two to five years. So, even after you sell the business, you usually are still two to five years from getting all the way out. We have sold all cash deals. But sellers usually have to substantially reduce the price of the business to receive an all cash deal at close.

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