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INVESTMENT BANKERS

The Wilcox Group + PetroGrowth Advisors

How Do You Know When is the Best Time to Sell Your Business?

Timing is one of the most important factors in achieving a successful company sale or divestiture. So how do you know when the "best" time to sell occurs? The best time to sell a business is when you have no need to do so, when the company has demonstrated solid performance and the future looks bright. You should also rely on your investment

future growth for the buyer as you will get compensated for it through the premium paid. Bottom line: Sell a business when things are going well and the future is promising.

Five Timing Factors to Consider When Selling a Company

There are five primary factors to consider as you

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banker, who can provide insightful information regarding market trends and assist in judging the best time for you to sell based on your situation.

Sell a Company When It Is Performing Well and Prospects are Bright

Buyers are attracted to a successful track record. Further, buyers are attracted to perceived future upside. You should not be overly concerned about leaving this

are thinking about timing the sale of a business. Rarely do all these factors peak simultaneously, so judging them on a relative basis is important. However, timing a sale when the general momentum is in your favor improves your odds of achieving a high price. The five items to consider include:

1. Macroeconomic Conditions: A stable or growing gross domestic product, relatively low



Wilcox Swartzwelder & Co.

A boutique investment bank delivering high quality financial advice exclusively to owners of middle market companies in the energy and industrial sector.

433 East Las Colinas Blvd.
Waterway Tower
Suite 1200
Irving, Texas 75039

P: 972.831.1300

F: 972.831.1318

Email:

jason@ws-ibank.com

grant@ws-ibank.com

Website: WS-iBank.com

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inflation and low interest rates provide fundamental support to a healthy economy, confidence and deal making.

2. Industry Trends: Positive underlying trends, such as a strong growth cycle, related to your company's industry often correlate with heightened levels of acquisition activity and high purchase prices.

3. Company Performance and Prospects: The ability to credibly demonstrate a successful historical track record of earnings along with bright future prospects will generate the most interest from buyers. More interest from buyers often leads to competitive bidding, thereby providing the leverage to achieve the highest price.

4. Capital Flows: When there is an abundance of capital from strategic buyers, financial investors and lenders competing for deals, the market becomes very liquid, sometimes frothy, which fuels transaction activity and high valuations.

5. Merger and Acquisition Activity: An active merger and acquisition market is the manifestation of the interworking of these factors and signals that deals are

being completed at compelling prices.

Other Points to Note Regarding Selling a Business

Quality companies with unique competitive advantages, a strong market position within their niche, growth prospects and solid management are successfully sold in just about any market.

Buyers generally pay based on trailing twelve months earnings and expected future earnings. So, if company performance has recently declined, you should not anticipate buyers paying based on some level of past average earnings achieved. Sell a company before this happens.

The typical company sale is a complex and lengthy process, taking six to nine months, or longer. You should sell your business only when you are personally committed to the process, both mentally and emotionally. Given the number of deals buyers review and their limited transactional resources, they will not waste their time with uncommitted sellers. Aligning good business performance and personal commitment puts you in a position of strength, which provides the greatest opportunity for

successfully achieving your goals.