



Should you sell now?

You worked for years and then the recession came! You watched your nest egg in the stock market lose 25% or more of its value. Your profits dropped significantly in your business due to the major decrease in revenue. You have spent the last 2 years or more just trying to deal with the decline and keep the business afloat.

You are now beginning to hear that the economy may have hit bottom and has begun a path of slow growth - though it could take years just to reach your previous successful level. Many economists are predicting it could take a decade or more to reach the profits you had in 2006 and 2007. If that is not frustrating enough, there is still talk of a double dip!

All of these activities lead you to the question, "Should I sell now or wait until I get my revenue and profits back, plus put a little more into other diversified investments?". The answer depends on your overall life goals and financial needs! Remember, "timing can be everything", but also remember that life's timing can be a little different than what you planned - so you need to be flexible and prepared for plans A, B, C and D.

In June, I attended a merger and acquisition conference in Orlando where Rob Slee, founder of the Midas Nation, and publisher of Private Capital Markets, Midas Managers, and Midas Marketing was the keynote speaker. He believes the worse is not over and that it will be another 1.5 to 2 years before it will be optimal for him and others to buy businesses. He believes that he will not obtain a reasonable return on his equity due to the current and continuing economic downturn. He wants to let the current owners carry the burden and risk of owning the business for now, then purchase the businesses at a less burdensome time, hold them for 5 to 8 years, and sell them off before the next neutral and economic downturn – insuring the highest return for him and his investors.

If you believe in Mr. Slee's position, wish to exit your business in the next 5 years, and to obtain a higher equity position when you sell, you will want to wait four years until you seek your buyer - since it can take up to a year to sell as business. However, if you are looking to get out in 2 years or less, now is the time to sell, the goal being to remove yourself from the risk of owning a small to middle market size business and still receive the same purchase price now as you would in two years!

All of these comments assume that you are going to sell strictly based on financial decisions. Typically, this is not the case. What life brings can be different than what you have planned. The goal is to be flexible and study your overall life goals and business projections before making any decisions. Another key to success is being realistic in

your forecasts of revenue and profit. If you want to show a buyer in the future that they will have great success with high revenues and profits, make sure that you have kept your forecasts that show your accuracy in hitting those predicted numbers! This one practice could bring you more leverage with the buyer when – “the time is right”.

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