

## **Exit Planning: 5 Things NOT To Do When Contemplating the Sale of Your ARM Business**

We see it every day: Owners making thoughtful, yet misinformed, decisions about selling their company that can end up costing them millions of dollars in lost deal value. We thought it would be helpful to examine a few of the more frequently seen mistakes.

**DON'T let other people's labels determine your timing for M&A.** Who cares if "experts" label this a Buyer's Market or a Seller's Market? Does it change the way you run your business? It shouldn't. And in many cases, it shouldn't dictate when or how you sell your business either. The fact is, all businesses are saleable. Some buyers want good growing businesses, while others seek "value" opportunities with distressed sellers. The key is in finding the best buyer for your business, which is to say, the buyer that sees the most value in what you have created AND is willing to compensate you for it. If you do it right, you'll be able to find that *best buyer*, even if your company isn't quite firing on all cylinders. And in the case of a well-positioned company, as we've said many times before, good companies sell for good terms, in any market. Period.

**DON'T sacrifice a few dollars today for the long-term health and success of your business.** Compliance is a good example. While no owner really *wants* to invest into compliance-related infrastructure, it is a reality of today's market. If you don't do it, you're asking for trouble. If you're one of the only companies without it, it is only a matter of time before you start losing clients and potential clients, having legal/regulatory issues, and/or your competitors start using their own compliance investments in their marketing efforts (against you!). If you can, make the investment.

**DON'T delay in selling because you have a full pipeline of prospective clients.** While that's a great situation, if you wait too long to exit and your business development efforts don't keep pace, you'll have a lot of clients and no pipeline. So while that's not a bad situation for *owning* a business, it is not a good situation for *selling* a business. Timing is one of the trickiest things about selling a business. Sometimes you have to sell. Other times you have choices about when to sell. The ideal time, if you have the luxury of choosing, is when your business is growing, profitable, and still has a great pipeline of future clients. Buyers will compensate you for it.

**DON'T assume that selling is the same as retiring.** The buyer may want you to remain with the business post-sale, or for that matter, you may want to remain. After all, how much golf can one person play? Sure, it might be fun to find out, but most folks who have been in the industry for 25-30 years or more still have a hankering to be involved in a business. Many buyers will want a selling shareholder to remain in at least a consulting role for anywhere from 60 days to more than a year, and if there's an earn-out involved, sellers often *prefer* to remain involved to increase their chances of achieving it.

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**DON'T sell without considering all of your alternatives.** Today's market offers business owners many options. Capital is cheap and available. Acquisition opportunities abound. Maybe you'd be better off making an acquisition first and considering a sale in a few years. Doing so might enable you to develop your service offerings or geographic coverage, for example, or just simply better position your company for an eventual exit. All said, selling might still turn out to be the best move for you, but depending on your circumstances, it may at least make sense to give some thought to the alternatives.

To learn more about the market, buying or selling an ARM or related company, or to make sure we are aware of your current interests, please contact us at (301) 576-4000.

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