

All in the **TIMING**



By Jessica Sprajcar Aiello
Contributing writer

Can the mergers and acquisitions market be timed? “If anyone could predict when the best time to sell a company is,” said Ronald Myer, president of Summit Advisory Inc. in Lancaster, “there wouldn’t be fluctuations in the stock market.”

John T. Reed, a partner at Barley Snyder law firm in Lancaster, disagrees — at least to a degree. When it comes to the question of whether the mergers and acquisitions market can be timed, many experts cite factors that, while not definitive, can help distinguish a good time to sell from a bad time.

Evaluate the market

To that end, Reed says that the market “can and can’t be timed.” He

has seen certain industries become “hot” over the past 12 to 18 months, and the availability of cheap money and low interest rates makes for a good time to buy or sell a company.

Larry Kluger, senior vice president of Murphy McCormack Capital Advisors in Lewisburg, has observed the same dynamics.

“The economy is relatively strong now, interest rates are extremely low by historic measures,” said Kluger. “Banks are lending money, and there is a boatload of private equity available for lower-middle-market and middle-market transactions. In other words, for many industries — particularly technology, health care, traditional manufacturing and distribution companies — this is an awesome time to sell a business.”

Todd Marsteller, president of Stellar Partners LLC in York, also believes

the market is hot right now.

“There are thousands of baby-boomer business owners across the country who ran into the great recession and had to hold on to their business until the economy improved,” Marsteller said. “Those who wanted to sell back then but waited too long are anticipating the next economic downturn, so they are looking to get out now. This is good, since valuations are at a premium. It’s a seller’s market right now. There is a lot of money out there and a lot of people looking to buy companies.”

Locate the value

Companies also have to size up their own prospects independent of the overall market.

“Even if the market is on fire,” said Reed, “if you’re not a good-performing company it’s not the right time to sell. The worst time to sell is when a company isn’t doing well. You need to stabilize it first to maximize the price.”

To place your company in the best position to sell, Myer recommends that owners make sure their businesses do not rely on their presence.



Myer

"It should still function if the owner walks away," said Myer.

Loyal repeat customers and a solid balance sheet are also vital, especially if they demonstrate customers' affinity for the company's services or products.

"If all customers are based on relationships with the current owner, other buyers may be hesitant to pay top dollar," said Myer, because the customers might be more loyal to the owner than the company.

Whether you are looking to sell in one year, five years or beyond, Myer

added, owners need to understand their business's key drivers of value: "Understand what will increase the value and move your company in that direction ahead of when you plan to sell. You only have to convince one buyer, but the longer you prepare, the more likely you are to get top dollar."

Time is an ingredient

Some Central Pennsylvania businesses provide a cautionary tale for business owners, even those who think they are in the right place at the right time to sell.

Reed cited a company in the wholesale/retail business whose owner was ready to walk away. He started the planning process early, but when he looked at his business figures, he saw that margins had eroded over the past few years and the bottom line

was shrinking. He realized the company was not where it needed to be to maximize the purchase price, so he pulled it off the market. Had he gone through with the sale, he may have been disappointed with the results.

Sooner or later, a business owner will move on — whether by choice (retirement, new business opportunity) or by chance (death, divorce, etc.). Reed and the other experts stress that business owners need to realize and recognize that eventuality.

"Everyone retires, sells or dies eventually," Reed said. "Selling your business is like selling your house. You get it ready, you fix it up, before you sell. You can't do that in a week. Time spent two to three years prior to the sale will pay off with a smooth transaction that maximizes price." ♦

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