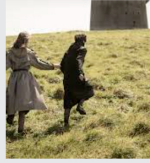




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How to know it's the right time to sell your business

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By Victoria Stokes
28th Nov 2023



Selling a business you have built can be a difficult decision, so how can you navigate the emotion and the logistics to ensure you sell at the right time? We talk to an expert from Key Capital and an IMAGE Business Club member who has been through the process (successfully!) to bring you the best advice and real-life experience

Building a business is hard. It takes grit, determination, resilience, and – as the cliché goes – a whole lot of blood, sweat, and (often literal) tears to make it happen.

It's little wonder given the time, energy and emotional investment that you

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funnel into your empire, that deciding to sell is such a difficult and emotionally-wrought decision. It's a choice that challenges even the sharpest of decision-makers and can leave business owners stuck in a rut of procrastination and indecision. What's more, it depends on a whole lot of variables.

Not only will you need to assess market viability, the impact on other stakeholders and employees, and the financials, but what this sale will mean for you professionally and personally. What does your second act look like if and when a deal goes through?

What to consider before selling your business

"Owners and entrepreneurs spend many years building their businesses, they make significant sacrifices in their personal lives and they take big risks," points out Richard Tunney, managing director of Key Capital Corporate Finance.

"As a result, owners have a significant emotional attachment to their business and the team that has been on the journey with them along the way," he says.

Deciding when to sell can be difficult due to the nature of business as well. Every entrepreneur has navigated slow periods and if you're considering selling because of a downturn in the market, it can be difficult to know if that's the right long-term choice. It's hard to predict if business will pick back up or continue on a downward spiral.

1 Owners should look at the business from a buyer's perspective."

Richard believes entrepreneurs tend to be optimistic in nature. "If you always believe the next year will be better again, it can be hard to decide when is the optimal time to sell," he points out.

It's not all about emotion of course. There are main practical considerations to mull over as well, Richard advises. "Owners should look at the business from a buyer's perspective. Post-transaction, who will lead the team? Who do suppliers interact with? Who holds the key customer relationships? Who owns the trading premises? Will a transaction result in lost clients?"

"All of these questions are important for a buyer; they need to see that the business will not suffer when the owner exits," he says.

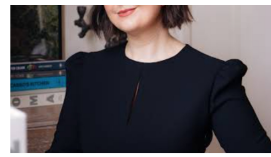
'I had taken the business as far as I could'

IMAGE Business Club member Loretta Kennedy sold her business, MamaBear Foods, in 2022. "2019 was a huge year for my business and I was poised for world domination! I had secured some pretty big contracts and was all set to begin exporting when the pandemic hit. This saw my five-year business plan being replaced by homeschooling three children and not being able to get a meeting with a buyer," Loretta says.

Though it felt like a really challenging and unpredictable time, Loretta says she knew the right buyer for her business was out there. "I became focused on the process and on finding the buyer I wanted to hand my baby over to. It's a bit like when your child starts school. I felt like I had taken the business as far as I could and it was time to allow her to expand with other teachers and supporters," she muses.

For Loretta, once the decision was made, the process became easier. If you're struggling with the choice between selling and not selling, she recommends doing some of the preparation work now, even if you're only thinking about it.

"You can start preparing your accounts and a proposal well in advance of meetings. Get your evaluation, and get your team around you," she advises.



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Digging into some key questions is also important. Loretta says you'll need to know whether you'll be expected to stay on as part of an earn-out agreement and if there are sales targets attached to that.

Knowing the answers to these questions can help you get some clarity on what you actually want to do.

“The initial phase of the process will be focussed on preparation and this is where a lot of the heavy lifting is done.”

The stages of selling

Understanding what's involved in the sale of a business could help you make your mind up as well. After all, it's hard to confidently make a choice when you don't know what to expect.

“The initial phase of the process will be focussed on preparation and this is where a lot of the heavy lifting is done,” Richard explains. You'll need to get your business in order, tidy up the financials, prepare materials to share with prospective buyers and consider suitable buyers to engage with.

Once the materials are prepared, it's time to get stuck into marketing. Richard says this will involve engaging with the long list of prospective buyers to gauge interest and understand market appetite. This list can be quickly whittled down to the credible parties who are asked to submit a bid.

Then the exciting part. Once bids are received, you will be in a position to decide who you would like to move forward with. A period of due diligence and negotiation ahead of agreeing a deal will follow.

Loretta says it's important to remember that this process will take time and she reckons one of the best things you can do to navigate it is hiring a solicitor who has experience in this area.

Richard agrees. “There is no doubt that selling a business is a big-commitment process, but having the right legal and financial advisers alongside you will materially reduce risk and workload and de-risk the transaction,” he notes. In other words? Make sure you seek out professional advice.

Strong track record

Selling your business may feel like a big scary commitment, but Richard offers some words of encouragement. “Owners shouldn't be overly concerned about a potential exit. A well-run business with a clear focus on its product and a strong track record will prove attractive to potential buyers,” he says.

“Owners should focus on the core business and engage the right advisers when they are ready to move on. Bringing in specialists will allow you to focus on what you do best.”

It's most likely the fear of the unknown that makes us hesitate when taking a big step like selling a business. And there's no guarantee in business – or in life – that things will work out as you hoped.

For Loretta, deciding to sell her business has only been a positive choice. One that has allowed her to continue to grow as a businesswoman. She now operates a **coaching and consulting business** that supports female entrepreneurs.

“Without a doubt, it has given me the confidence to back myself. To trust myself. That even without a roadmap, I was able to complete this,” she shares. “I grew as a businesswoman and as a human, without a doubt. I showed my three daughters what was possible. Of how an idea can become a brand which can be sold and become something regenerative.”

Perhaps like Loretta, deciding whether to sell is as much about weighing up the pros and cons as it is about trusting yourself.

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