Beyond Business Ownership: Is Timing Everything?

We explore if there is a correct time at which to sell, how long it can take to prepare for an exit, who to involve and what external – or unexpected – events you should factor into your planning. Leading experts share their key points and learnings for an optimal business exit.

Take timing out of the equation

1. **Finding the right time to exit your company to secure a good return on your efforts can be challenging.** However, as Greg Limb, Partner, Global Head of Family Office and Private Client, KPMG LLP suggests, owners need to be focused on the "optimum time to sell".

2. **So, when exactly is the right moment?** John Barnett, Partner, Burges Salmon LLP, recommends applying a useful test to aid your decision-making: "The right time to sell is when there's enough for you, but there's something left on the table for whoever follows you."

3. **To mitigate timing risk, be clear on whether you intend to stay within the business or exit completely – having a clear divestment strategy can help you manage timing and objectives.** Nicola Roberts, Partner, Deloitte Private, highlights the following questions to ask yourself before beginning the process: "Do you intend to exit to a third-party sale? Do you intend to raise money via private equity or other investments, or do you intend to sell the business as an IPO on the main market?"

4. **An unexpected offer received outside your timeline can be managed by maintaining a degree of scepticism.** "You know your business better than the external buyer," Sophie O'Connor, Partner, Norton Rose Fulbright LLP, explains. "An appropriate response might be to thank that relevant party for their interests and indicate that you're open to a strategic discussion."

How long does it take to prepare for an exit?

1. **Thinking ahead pays off. Those who start consulting on a sale two or three years in advance are the most prepared**. The active sales process is generally between three to six months, but O'Connor highlights that this can stretch longer: "The overall deal timeline, including initial offers or indications, early marketing, fireside chats, all the way through sale, preparation, diligence and execution can be more in the range of 12 to 24 months."

2. **A compelling exit and equity story can also help you optimally time your exit or sale.** This means knowing your portfolio investment and capital allocation strategy and having a clear proposition behind it. Roberts advises owners to ask themselves, "will that story resonate with different types of investors or buyers and their requirements?"

3. **Undertake vendor due diligence, readying answers for any legal, commercial, and financial questions that the purchaser will have.** Jacques Callaghan, Managing Director, Mid-Market M&A, HSBC Investment Banking, also recommends: "As part of preparation, one needs to hire a series of specialists and advisors, to ensure that all the due diligence is comprehensively done."

It's never too early to start preparation and business owners should not forget about how much time you need to personally prepare yourself for an exit.

How do you get the timing right?

What can you do if the timing is wrong, but you still need to sell?

1. **Forward planning on time-related issues such as structuring (including separating parts of the business for sale) is advised.** "It does take time to make sure that you can get a good structure for the existing business. Time needs to be taken to ensure all stakeholders are in line with that – restructuring done well in advance is critical," says Roberts.

2. **Consider the time-bound tax issues and what you may need to do, to mitigate loss of reliefs.** "The key timing from a tax point of view is two years," explains Barnett. "Often you will need to have two years of ownership to qualify for inheritance tax relief or business asset disposal relief, which gives you a lower rate of capital gains tax when you sell."

3. **Effectively managing the flow of information is imperative.** Understandably, an exit process can be quite an unsettling time, particularly when people may feel they're not in the know. But at the same time, you don't want information getting out too quickly, because it could "disrupt the business," adds Barnett.

4. **Consider alternative financial solutions to delay an exit.** Even if the timing is perceived as sub-optimal, Anna Macrae, Senior Director, Corporate Banking Origination, HSBC UK, advises that there is always an option to explore lending products or minority investors in the short term, to ensure the business is well-prepared for sale.

Big picture concerns in exit timing

The last few years have seen no shortage of socio-economic events that could impact exit timing – from Brexit and Covid to wars and global supply chain crises. Preparation can help businesses minimise the impact.

1. **The M&A backdrop can be analysed to determine if it is favourable for your exit**. Tobias Sommer, Managing Director, Mid-Market M&A, HSBC Investment Banking, suggests assessing the three factors that drive M&A: CEO confidence, the public equity markets, and how available debt is at the time.

2. **More predictable geopolitical events – such as the election cycle – can have an impact, but you can use it to influence your timing.** Willem Sels, Global CIO, HSBC Private Bank, points out that it "can either lead to lower valuations or even make liquidity completely dry up." He suggests companies should aim to be ahead of such events or wait until they have passed.

3. **Personal resilience also plays a key role in staying on track.** Limb recognises that fortitude is what got business owners to where they are today: "It drives them forward and makes them passionate about succeeding." However, Roberts cautions business owners not to become too emotionally involved in the process or outcome.

While it's clear that you can't forecast momentous events, what you can do is plan for and prepare your exit strategy, maintaining a degree of resilience throughout.