

Time of Your Life

SELLING YOUR BUSINESS

– WHY DO IT NOW?

The answer to this frequently asked question is perhaps one of the most important decisions entrepreneurs and shareholders need to get right. Sell too early and you can miss out on significant value, sell too late and you might have completely missed the opportunity and it could be a long wait to the upswing of another cycle.

To sell at the top is perfect timing. The problem is that none of us can predict when we reach that key moment, that's called getting lucky, but what are the factors to look out for to ensure we do 'get lucky'?

The first thing to remember is that, generally, it does not 'just happen'. Creating a successful sale requires action, momentum and the 'going after' of the right and relevant buyers. Creating the deal – is what getting the right adviser on board is all about. The right adviser will help create the right deal at the right time, with the right buyer at the right price.

Technology acquisitions continue to break records

Timing is everything. The technology sector has been undergoing increasing acquisition activity recently. We have seen momentum building over the past 18 months, with companies previously seen as non acquisitive becoming acquisitive and the new raft of, now over 1400, AIM listed companies all seeking growth as they embark on their ambitious plans. All this activity is combined with very strong levels of interest in UK companies from the international acquirers and technology giants.

Across all technology segments we are seeing a range of activity not experienced since 1999/2000 and increasingly the IT giants are very active buying the present day technology start ups.

The UK develops some of the world's leading technology companies. We may struggle to get them to the size of some of the global technology giants, particularly the US majors, but the UK is a sought after location for the international acquirers and those UK companies delivering growth and earnings represent sought after assets. As the acquisitive momentum across all technology segments builds those companies with sound fundamentals are suitably positioned to benefit.

At ICON, our most recent transactions have all been to the overseas acquirers with very strong activity coming from US and EU buyers.

You do not have to be big to be beautiful but you do need to have something they want and if you are strategically important to your acquirer, you will get a premium value for your company.

Finally the wider M&A market is extremely buoyant and certainly the big deals have a significant impact on fuelling acquisition confidence which filters directly through to the mid and smaller end of the market.

As a business, ICON is certainly experiencing significant levels of activity with healthy competition from acquirers for deals.

So what does this mean? In short, it is a very good time to sell a business.

However, whilst all the market dynamics are strong, you must ensure that you also have strong trading dynamics within your company. Acquirers do not want to buy headaches. Earnings, growth and positive cash flow are essential – the stronger the growth the better the price. Remember it's very difficult to sell a business which has reached a plateau or even worse is on the slide. It is also very difficult to sell a business which is in a sector which is in decline or is notoriously lumpy. The best time is always on the up.

As any good surfer will know good waves come in threes and if you can hit all three waves: the wave of growth in trading results; the wave of strong sector activity and the general wave of confidence rolling through the M&A market, then you can get an exceptional ride and may even get to buy the surf beach!

These factors generally do not prevail for long, so remember a 'quick deal', start to finish, can take six months. The market is good, prices are good, the buyers are international and UK technology companies are some of the world's most sought after assets. So, if you are thinking about it, now is the time to act on it. Call ICON, we have the relationships, the global reach and the knowledge. ■

Text

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