

Should you sell your business in this downturn?

Global stock markets are down, investors are on selling mode, and almost all of 2007's stock gains have been wiped out. The culprit, analysts say, is the current US subprime lending problem. A number of hedge fund companies and investment banks that invested in subprime loans incurred millions of losses or even went bankrupt due to the subprime lending problem. The possibility of tightening credit conditions also caused volatility and panic in the US stock market, which consequently sent fears to European and Asian markets that US, one of their major trading partners, has now entered the phase of severe economic recession. These fears and uncertainties are responsible for driving world stock markets to their recent lows.

The victims of recent downturn includes complete collapse of Lehman Brothers, Merrill Lynch bank sold to Bank of America, Federal takeover of Fannie Mae and Freddie Mac, Moody's and Standard and Poor's downgrade ratings on AIG's credit on concerns over continuing losses to mortgage-backed securities.

There are many expert investment bankers who are constantly in discussion with Private Equity Groups, Angel Investors, Venture Capitalists, and Strategic and Business Buyers. They all speak the same thing. They have money and they are still looking for good opportunities. Yes, they may be highly cautious and will take a little longer on due diligence than they might have prior to the downturn. They may also require more tripwires and covenants in the Purchase and Sale documents but they're still anxious to do business and [mergers deals](#). Those who invest with these Private Equity firms do so because they expect to get a good return from the PEGs investment in and purchase of good quality businesses. They don't want the Private Equity firms to sit on the sidelines collecting management fees. This can work to your advantage.

While you may feel that this is a lousy time to consider [selling your business](#), investment bankers suggest you to explore it now if you've given any thought to a transition sometime in the next 3-5 years. The process of a business sale can take a year or longer and most acquiring firms will want you and your senior management team to stay on for a transition period of 1 to 2 years after closing and they will provide financial incentives for you to do so (an "earn out"). These earn out gives you, as the business seller, a "second bite at the apple". That is, if you grow the business after the sale, even with the PEG's financial support, you can actually get an even higher final price.

No one knows when the present recession will ease but, based on recent history; it's likely that your final exit will be enhanced as the economy begins to expand again in 18 to 24 months. Professional [investment bankers](#) are happy to help you to consider and evaluate your options in this trying environment.

About the Author

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