

Top 10 Myths Business Owners Believe About Selling Their Business



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Selling a business is one of the most significant decisions a business owner will make, often representing the culmination of years of hard work. Yet, the process of selling a business—particularly in the lower middle market—is rife with misconceptions. With approximately 75% of private businesses expected to change hands in the next decade, understanding the realities of M&A is more crucial than ever. Believing these myths can lead to poor decisions, missed opportunities, or even failure to close a deal. This article demystifies the top ten myths business owners believe about selling their business, helping you or your clients better prepare for a successful exit.

1. “I can sell my business quickly and easily.”

Many business owners underestimate the time and complexity of selling a business. They assume it's as simple as responding to the frequent overtures they receive over email or listing their business and finding a buyer. In reality, the sale process can take 6–12 months or longer, depending on the industry, business size, and market conditions. Proper preparation, financial due diligence, and negotiations require both time and expertise.

Reality: Selling a business is a marathon, not a sprint. Proper planning, robust marketing efforts, moving with a structured cadence, and having a clear strategy are essential for achieving the best value. Talking with advisers early in the process to understand what it takes to sell a business and balance non-value qualitative goals is key to developing a strong plan.

2. “I know what my business is worth.”

Business owners frequently misvalue their companies by relying on industry rules of thumb or comparing themselves to publicly traded companies. The best determinant of value is established during a fully marketed auction process conducted by a qualified M&A adviser. Moreover, these same advisers can also provide solid guidance or estimates of value before a process. And because sellers have an intimate understanding of their business, enlisting an adviser who can clearly articulate that message is critical.

Reality: Your business is worth what the market is willing to pay based on concrete data and market conditions. Private company valuations depend on numerous factors, including earnings quality, growth potential, customer concentration, and market conditions.

3. “I don’t need an advisor to sell my business.”

Some owners believe they can handle the sale independently to save on advisory fees. However, navigating a sale without a professional often leads to undervaluation, legal pitfalls, and missed opportunities. Investment bankers bring expertise, negotiation skills, and access to a network of qualified buyers. A study by BVR's DealStats (formerly Pratt's Stats) shows that businesses sold with the help of an investment banker or M&A Advisor typically sell for a multiple of 1.5-2x higher EBITDA (27% – 36% higher than the 2023 average middle market multiple paid). Is the 27-36% higher purchase price worth the 2-5% average fee paid to an advisor? The math suggests it very much is.

Reality: Professional advisors are invaluable in maximizing the sale price, avoiding costly mistakes, and managing the complexities of the transaction.

4. “I should sell when I’m ready to retire.”

Waiting until you’re ready to retire might seem logical, but it can limit your options. Selling a business when you’re no longer interested in being involved with it could result in a lower valuation. Buyers who are willing to accept a quick or defined transition from an active owner know they are part of a select audience. When buyers understand they are part of a select audience, it usually impacts their willingness to pay a significant premium.

Reality: The best time to sell is when your business is performing well, and you have some time and effort you are willing to share with the new owner, not when you’re emotionally or physically ready to leave.

5. “The buyer will handle the transition.”

If retirement is a ‘must’ as part of selling a business, we find that some sellers initially believe their role ends once the business is sold. However, buyers often expect the seller to stay involved during a transition period to ensure a smooth handover. This could range from weeks to several months or longer, depending on the complexity of the business.

Reality: Be ready to provide the buyer with training, client introductions, and operational support during the transition period.

6. “Only struggling businesses are hard to sell.”

Owners of profitable businesses often assume their sale will be straightforward. However, even successful businesses can face challenges when being marketed for sale. Buyers can find unique rationales that inflame skepticism: geopolitical risk, economic risk, industry cycle, technology or product obsolescence, dependence on the owner, and state of systems and admin functions are a few such areas we often see as points or items that can weigh on valuation during the negotiations we have on behalf of our clients.

Reality: Every business, regardless of its financial performance, must address potential buyer concerns to ensure a successful sale. In the current market, buyers conduct extensive diligence, and it behooves sellers to be well prepared, with mitigants to common concerns in hand, going into the sale process.

7. “My financial records are good enough.”

Many business owners assume their financial records will suffice, only to find that buyers demand far greater detail during due diligence. To be sure, buyers expect clean, well-documented financials that align with tax filings and demonstrate consistent performance, but this is merely a start or basis for which they will form their opinion of value. Most buyers who are willing to invest the hefty sums of capital to complete a deal will also investigate other cross-functional areas such as IT, HR, Environmental, legal, industry, insurance, and org chart adequacy.

Reality: Professional financial preparation, in addition to the numerous applicable cross-functional areas within your business, can build buyer confidence and streamline the sale process.

8. “The highest offer is the best offer.”

The purchase price is just one component of a deal. Transaction structure, timing, earnouts, working capital adjustments, legal representations and warranties, and post-closing obligations can significantly impact the actual proceeds and risk to the seller. A higher offer may come with unfavorable terms, such as a large portion of the price tied to performance-based earn-outs or deferred payments or a definitive purchase agreement that shifts the burden of post-close risk to a seller. Additionally, the buyer's ability to close the deal and their strategic fit with your business should also be considered.

Reality: Evaluate offers holistically, considering payment terms, contingencies, and the buyer's credibility. Sometimes, a slightly lower offer with better terms and a reliable buyer can be the smarter choice. Experienced advisers will contribute valuable insights to evaluate offers.

9. "Once we sign a letter of intent, the deal is done."

Signing a Letter of Intent (LOI) is an important milestone, but it doesn't guarantee the deal. Approximately 30% of deals fall apart between the LOI and closing. The most common causes are due diligence findings, renegotiation attempts, and financing issues.

Reality: The LOI is just the beginning of the process. Expect continued effort and negotiations until the deal is finalized, and be prepared to address challenges that arise along the way.

10. "I'll be set for life after the sale."

Many owners assume selling their business will generate enough wealth to secure their future. However, taxes, deal structure (e.g., deferred payments or earn-outs), and ongoing expenses often reduce the net proceeds.

Reality: Consult financial planners and tax professionals to ensure you understand the post-sale financial implications and plan accordingly. Sellers can use a number of tax deferral strategies, but they generally must be implemented well before beginning the sale process.

Selling a business is a complex and nuanced process, particularly for middle-market businesses. By dispelling these myths and understanding the realities of the sales process, business owners can better position themselves for success. Engaging qualified M&A advisors early in the process, preparing thoroughly, and setting realistic expectations are key steps to achieving a rewarding exit.