



Has COVID Affected The Chances Of Selling Your Business?

By Ryan Jorden, VR Business Brokers - Managing Partner

When someone buys your small business, they are buying the future of your company. Short of time travel, this can best be understood and predicted by a thorough examination of the historical track record. Since the most recent is the most relevant, that largely consists of the past three to five years of financial statements, along with all supporting documentation for inventory, payroll, taxes, and the like. One thing that has always caused an issue with predicting the future cashflow of any small business is selling during or just after an aberrant year.



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A specific business may experience an aberrant year if they lose a major client, a key staff member leaves, or the owner-operator experiences a health crisis. Several industries also experience abnormal years, such as bad hail years for the auto body shops, roofing companies & siding companies, cold winters for the battery & tire shops, and oil price fluctuations that affect a wide range of business such as fabrication shops, downtown consultants, and small-town hotels & restaurants.

Larger than that are the significant regional interruptions to the predictable history of a business, such as floods, wildfires, droughts, cold snaps or hurricane years. While those are issues that affect only specific industries or specific locations, this past year has been very different. COVID has been a great equalizer, in that it's affected everybody all at once. It's also going to be on the books and in the history of every single business. That means it will be relevant from a purchaser and lender's perspective for the next five years.

Some businesses and industries have fared better than others, but all in all it's going to create additional complexities around a buyer's ability to best predict the short-term financial performance of a small business. The range of outcomes stretches from the essential businesses that largely fared better than most, to the devastation of restaurants and other small businesses that relied on their ability to drum up a crowd.

Good or bad, this year has been a stress test for everybody. For those who have fared better than others, it has made your business more valuable in relation to the overall market. If your business has done well and you've been thinking about selling, this may be the time."



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