

TARIFFS, UNCERTAINTY, AND THE WISDOM OF JUDGE ELIHU SMAILS

"It's easy to grin, when your ship comes in, and you've got the stock market beat. But the man worthwhile, is the man who can smile, when his shorts are too tight in the seat." – Judge Elihu Smails, 1980

Tariffs Muddling the M&A Market? You Are Not Alone

For a year that started with a lot of talk about a boom in mergers and acquisitions, 2025 has been a challenge. Business owners who dreamed of cheaper borrowing costs, speedy supply chains, and a flood of private equity investment may be feeling overwhelmed amid headlines of tariffs and trade wars and concerns of a potential recession.^{1,2}

Uncertainty is a dirty word in the M&A world, and markets may appear frozen. It's not just small- and mid-market businesses fighting headwinds. Bigtime private equity portfolios, too, are experiencing what the Wall Street Journal calls a "deal logjam".^{3,4}

But "macro" is macro. "Micro" is what individual owners can focus on. Your business, your customers, your relationships, and your team. Alone, business owners can't control the global economy, but they can control their business.

Tariffs: Who's Impacted, What Matters

The big players, think car manufacturers and national brands, get the headlines in tariff talk. Tariffs are fees added to goods imported to one country from another. They are paid at the point of entry. For people who sell or use imported things, that means an added cost. Either that's a bite out of the bottom line, or it's a charge added to customer pricing.⁵

For exporters, as other countries react by imposing their own tariffs on goods exported from the United States (say, soybeans, corn, or chicken feet), U.S. products can become less competitive abroad.^{6,7,8}

The thing is, smaller businesses – which provide more than half the private sector jobs in the U.S. – could feel most of the pain because they don't have the deep pockets mega corporations have. And that can keep people awake at night.⁹

One small business owner describes mounting tariff talk as an "oh s---" moment. If you're feeling your own "oh expletive" moment, keep repeating: You are not alone. By March, two thirds of American small business owners said they were bracing for economic impact. But "bracing" is one thing, preparing is another.^{10, 11}

What Can You Do?

Start with a deep breath and a review. Understand what your business is and what materials you depend on and where they come from. HVAC installers and plumbers, for example, may not raise the price of service, but customers don't see that if the cost of imported ducts are slapped with tariffs. The coffee shop isn't raking in extra dough when tariffs are applied to imported coffee, but the customer sees a price increase. A veterinarian may not charge a higher fee for checkups, but someone has to pay if tariffs boost the price of the computers, cell phones, and equipment the office runs on.^{12,13}

Look at what you buy and from where. Then consider what your customers buy from abroad. They may need to cut back on your services if their own costs go up. American consumers already appear to be buying less as they worry about tariffs. Are you leaning too heavily on customers who will struggle with potential tariff costs, or

even on government contracts that could be upended? You can't control external forces, but you can adjust to market conditions.¹⁴

Think it through, write it down. Then talk it out with your support team. That includes your financial advisors, accountants, and even before you are ready to sell your business, maybe years before, M&A professionals who help negotiate deals and guide business owners up to and through the transition.

A Steady Hand, Experienced Pros

For most business owners, selling a business will be the largest transaction of their life. It makes sense to have a team at your side. Successful business owners are experts at running their businesses, not selling them. Think about the "3 C's": Consideration, Certainty, and Closure.

Consideration is understanding the present and future value of the business. What's it worth and how many buyers want it? Certainty is the complex analysis that separates contenders from pretenders. An offer is one thing, handing over the check is the real thing. And then closure, that's understanding life after the sale, lining up a new chapter, and maximizing a tax and legacy strategy.

Judge Elihu Smails in the film *Caddyshack* made a ridiculous speech as he christened his boat. "A man worthwhile, is a man who can smile, when his shorts are too tight in the seat." But he was right. Owning, managing, and transferring a business can appear easy when everything is going smoothly. But the owner who prepares, demonstrates value, documents growth, and builds relationships with a team of experienced advisors is the one who can smile through economic uncertainty.¹⁵

As we get older, we don't necessarily get wiser. We've just seen it all before. If today's tariff-induced M&A logjam is making you nervous, remember that deal making came to a halt during the 2020 COVID-19 pandemic. At the time, with so much uncertainty, it may have seemed like the end of the world. But the M&A market roared back the following year. With tariff uncertainty, remember that this, too, shall pass.¹⁶

Got questions? At SDR our tenured team has helped small and mid-sized business owners navigate complex business transitions for more than two decades with a proven record of getting the deal from offer to closing. Call us today at 720.221.9220.

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