



'The average business with revenue under \$5 million sells every five years.'

Michael Lefkowitz | Tactics P14

Solid businesses with qualified buyers getting financing

The word on the street is that there are a lot of businesses ripe for sale but owners are worried about the economy. The truth is — now is the time to get off the side lines and into the game. It's a seller's market. The value of your company is defined by the internal attributes and quality of your business, not the economic climate.



TACTICS
Michael Lefkowitz

The current market has produced a large number of qualified buyers interested in purchasing good businesses.

If you have a solid business — there is very likely a qualified buyer waiting in the wings. If there's a good business and a solid buyer — financing should not be an issue.

For the last 30 years, the number of businesses on the market has remained constant. The average business with revenue

under \$5 million sells every five years. In fact, 88 percent of businesses in the United States fall into this category. The statistics are no different in the Delaware Valley. There are several common motivators that trigger owners to sell their profitable businesses. They are retirement, other interests and lack of energy.

So, if you fall into any one of these categories as a business owner — here is why today's market is for you. Three things: the number of buyers, low interest rates, and low capital gains taxes.

Here is how it works. When more buyers are in the marketplace, it is a sellers' market. Back in the late 1990s many potential buyers said they would rather stay at home and invest in a dot-com to support their families. In the early part of the current decade, buyers said they would rather invest in real estate. Times have changed. Gone is the dot-com boom; gone is the real estate boom — at least for now.

So where does that leave entrepreneurs? It puts them center court and willing to take the ball.

There are other factors to consider too. According to the Bureau of Labor Statistics of the U.S. Department of Labor, unemployment rates have been as high as 6.5 percent in recent months and possibly climbing. This means that very qualified prospective owners have lost their jobs and to boot, there are very few job opportunities to fill. So then, how do these people make a living and support their families? Many of them are turning to business ownership. In fact, I interviewed several business owners who have been in privately owned business for 15 years — many of them started their businesses because of jobs lost in 1991 and 1992 during the last economic downturn.

Fast forward to today and we are seeing the same trend. Very recently, four executives

from a division of a large public company contacted me. They had all lost their jobs when their division was downsized and relocated. They are all in their 40s to early 50s, they all had relatively high salaries, and none of them have enough money to retire. These buyers are motivated, have money to invest and need to replace income.

Reason No. 2 is low interest rates. Interest rates continue to fall and good banks are willing to lend money. The lenders have become much more conservative but

a qualified buyer can still get a very attractive loan for a solid and profitable business. In fact, the Benjamin Ross Group recently obtained two Small Business Administration loans; one for \$1,000,000 and another for \$550,000.



Finally, the capital gains rate is at an all-time low. No one can predict the future but if the capital gains rate is increased, sellers of business will take home less money from the sale of their businesses. As a seller, it is not necessarily how much you get that matters, it

is how much you actually get to keep from the sale of a business.

At the end of the day, it is important for business sellers to look at their businesses with a fine-tooth comb. Ask yourself: Am I

ready to sell? If the answer is yes, don't be afraid to throw your hat into the ring. There really are qualified buyers out there and plenty of lenders ready and able to help them with their business acquisitions.

Michael Lefkowitz is the founder of the Benjamin Ross Group of Southampton, Pa., a business sales, mergers and acquisitions firm in the Delaware Valley. It provides a full-range of services to well-managed businesses, regardless of their size. He can be reached at michael@benjaminrossgroup.com or 215-357-9694