

RESULTS OF NATIONAL POLL

Will 2010 be better than 2009 for the buying and selling of small & midsize businesses?

February 12, 2010
NORTH PALM BEACH, FL.

Will 2010 be better than 2009
for the buying and selling of small & midsize businesses?

- 71% Yes, it is highly likely that there will be more dealmaking.
- 19% No, it is highly unlikely that there will be more dealmaking.
- 10% I don't know.

The demographics of the target audience and respondents to the poll are what make the results particularly important. The location of the respondents varied, with all regions of the country being represented. This poll was conducted online and via email, targeting owners of small and midsize businesses and the people that serve or evaluate these businesses, such as business brokers, buyers, sellers, professional advisors, dealmakers and sources of financing.

The poll began December 31, 2009 and continued until the date of this report. Herein are the results as of the date of this report. The polling venues included [LinkedIn](#), [BESTBusinessesforSaleONLY.com](#), [PartnerOnCall.com](#), the blog, [BusinessBuyerAdvocate.com](#) and the free e-newsletter: [The Business Buyer Advocate](#) ®.

The survey was commissioned by ["Partner" On-Call Network LLC](#) and administered by [BESTBusinessesforSaleONLY.com](#).

For additional information about becoming or being served by a *Business Buyer Advocate* ®, contact Ted J. Leverette or visit [PartnerOnCall.com](#).

Please see the rest of the report, which begins on the next page.

Will 2010 be better than 2009 for the buying and selling of small & midsize businesses?

Shown below are some of the comments submitted by people in response to our poll. The poll began December 31, 2009 until the date of this report. Herein are the results as of the date of this report. The polling venues included [LinkedIn](#), [BESTBusinessesforSaleONLY.com](#), [PartnerOnCall.com](#), the blog, [BusinessBuyerAdvocate.com](#) and the free e-newsletter: [The Business Buyer Advocate](#) ®.

Let's begin with a "subject to" comment by **Steve Brodhead** (M&A Intermediary):
"Ask the banks! They hold the keys . . ."



[We've included the "maybes" with the pessimists.]

Peter Wallace (Endeavour Capital)

I suspect a slow year as sellers have not yet accepted the price reductions and buyers cannot obtain debt

Greg Reynolds (Business Broker)

2010 will still be a very challenging year. Business owners have a long way to recovery and lending will not be that robust either; hunker down and market for the long view....

Kirk Otis (Corporate Business Development)

There was no financing available 2009; deals that should have been done could not be completed. As a result, there will be pent up demand. Especially by strong companies able to acquire companies that have been harmed by the economy and have few options. 2010 will see both opportunistic deals and strategic deals completed as a result.

Bren Letson (VR Business Brokers, Nashville)

From the buyer's point of view, it should matter less than from the seller's. Let me explain.

A buyer should pay no more than the cash flow will support in terms of debt service and compensation to the new owner for capital invested and risk incurred.

However, from the seller's point of view, 2009 was generally a bad time to sell as most businesses suffered depressed cash flow and, as a result, depressed enterprise value. Of course, we've seen several businesses seeking new owners as a result of the downturn. Unfortunately, selling a business at a reduced price is not always what the current owner(s) have in mind and we've had to pass on several engagements. Actually, this last point may be invariant with respect to the state of the economy.

As for differentiating between 2009 and 2010, the crystal ball is a little fuzzy. My guess is that the economic recovery will be slow as long as 2/3's of GDP is based on consumption and real income for the middle and lower income groups (who account for most of the consumer spending) continue the trend of multi-decade decline.

Maud Oortwijn (Management & Consulting)

Yes, highly likely a better year:

- due to the crisis: more SME for sale
- expected recovery economy in sight: interesting times for buyers.

Daniel K. Fetsch (ADF Capital Partners, LLC)

Our one completed deal took 8.5 months to complete through an asset based lender. We cannot find any traditional banks to lend. We are not hearing that things are going to change in the near future. There are good deals out there and willing sellers. It's a coin toss as to whether there will be more deals.

David Krysh (Innovative Growth Catalyst)

Interesting that the pole shows a majority seeing increased activity. I guess anything would be an increase over 2009. A more realistic view might be a comparison to 2007 or 2008, before the wheels came off the economic bus.

Having been through multiple attempts at acquiring small businesses in 2009, I would agree with all of the above comments and see essentially a continuation of these conditions in 2010 on both the buyer and seller side. The exception will be with larger strategic buyers that have strong balance sheets and may pay above market for market share/product extensions. In general, valuations will remain underwhelming to sellers, poor trailing year financials of 2008/9 will compound the "new normal" low multiples and financing for financial buyers will remain an issue.

Will this cause a glut of activity perhaps in 2011 and 2012 as boomer/owners look at retirement and have used 2010 to rebuild their financials and the banking system loosens up?

Barney Greenbaum (FranNet of Central Ohio)

Trying to bring a seller of a small business to reality that some industries might not a recover for much longer than a year or two is part of the challenge.

Hopes and dreams need to be altered, not their retirement plans.

A realistic price and finance terms are the key to a sale in the franchise arena .I have had this discussion with quite a few franchisors. They are scrambling to keep afloat, and need to remember the people that gave them success. 2010 more of the same unless we get better leadership.

Chuck Hodges (Executive/Product Development Expert)

I'm with Peter Wallace: "I suspect a slow year as sellers have not yet accepted the price reductions and buyers cannot obtain debt." At least in the US this is likely to be very true--valuation expectations by sellers (and those seeking financing) are still way higher than what buyers / investors are willing to pay. Motivated sellers and / or those willing to offer attractive financing may have a chance. To me the single biggest valuation issue is that small business sellers tend to confuse draw and other aspects of owner compensation and free cash flow--stating EBITDA before draw when an owner and / or their family is putting in 2000 to 4000 hours a year unpaid into the business is flawed. Subtract out the draw, or what it should be (S corps are better this way due to IRS) and then figure EBITDA and apply a multiplier. Businesses for sale that don't provide cash flow in excess of a proper draw are going to sell for minimal goodwill if any over NBV. Exception would be a business that has been misrun and is fixable but that carries its own penalty and has limited appeal except to those with an appetite and a talent for turnarounds.

Ted Kavadas (Finance & Capital Markets, Strategy)

I would be very careful before acquiring a company and/or expanding most business operations. My caution is based upon the economic situation. I think it is highly likely that we will experience further pronounced economic weakness. The reason for this is severalfold...for those interested my blog (EconomicGreenfield.com) contains many of my thoughts on the subject.

Chuck Hodges (Executive and Product Development Expert)

John-- re your post on "SMB prices are seriously depressed" can you share some data / insights on this in terms of the 2010 expectations wrt valuations? I must admit I would kind of expect this but have yet to see evidence of actual valuation drop. My gut says it's too soon--people will try to weather what they hope is a short storm.

Henk Oudeman (Owner, B.A. Boss S.L.)

I am afraid that the worst is still to come in Spain.

**Ronald Weerwag (Venture Capital & Private Equity)**

So many opportunities, so little time.

Jed Davis (Exit Plans & Actions Inc.)

Yes, I believe there will be more deal making in 2010 because I have to believe; otherwise I will go broke. Maybe not broke, but considering career changes.

Ely Paulsen (Consultant at The Associates M&A)

Yes, the light is bright at the end of the tunnel!! Yet, it would be a bit still a journey to get there. People need to sell; people need to buy. Everyone would be a way more motivated and realistic in 2010. Everyone needs an income/money to live on...

Andrew Weaver (sellmybusinessonline.co.uk)

In the UK deal activity at the smaller end of M&A market is definitely increasing and we've enjoyed a great start to the year. 2010 has started more optimistically as good quality businesses, who postponed selling during 2008/2009, start to come onto the market. There has also been a slow realisation by vendors that the crazy days are over and that we've settled into a new reality of price expectations and deal structures.

Eric Vandermeersch (Managing Partner-Actoria Belgium)

For those who are sceptic at the beginning of this year 2010, we have to mention that, in Europe as it is most likely the case around the world, not all companies have been affected by the downturn and there are still companies performing very well in this world. So we see nevertheless much more opportunities coming up this year ! Remain optimistic and realistic. Maybe a difference with the US, on our European countries, the State is playing a great role to sustain the SME transfer because it is structural and not "conjunctural"... "Papy boom" is still there whatever the economy is performing...

Jay Shadforth (Director, Immigration Law Advocates Ltd)

In New Zealand we are finding an influx of entrepreneurs and investors from offshore who are taking advantage of low sales prices in order to utilise immigration policies to gain permanent residence in New Zealand. The business trading markets are still reasonably slow on a domestic front but there is substantial increase in purchases from foreign nationals coming. I expect more of the same in 2010.

John Trewolla (numbers into Insights)

YES. The first of the tsunami of baby-boomers are beginning (just now!) to think about retiring and/or their exit strategy. SMB prices are seriously depressed and stronger companies are realizing that growth-by-acquisition is both more affordable and less risky than trying to entice consumers to come out of their foxholes. My group helps buyers navigate through M&A ownership transitions by mitigating M&A risk and building sustainable wealth. We're seeing LOTS of SMB opportunities!

Larry Hughes, CExP (Certified Exit Planner)

Ted, I think to be in this business for any length of time requires a certain optimistic outlook. But there are certain indicators that give hope to this being a better year. Auto sales are projected to grow, and home prices are on the rise for 6 straight months. Consumer confidence rose this month for the 3rd consecutive month and Delta says demand for business travel is up. I guess the question is "does that equate to an increase in the buying and selling of businesses"? Some think a certain number of business owners are just ready to sell and don't want to wait any longer. Will there be buyers? Maybe if we all think "buy a business" at the same time, over and over, it will come to pass.

Mike Bacarella (Owner, Realty Investment Specialists)

Ted, The homes that are being sold are mostly short sales and foreclosures. Projections are that there will be many more short sales and foreclosures for 2010. Buying/Selling businesses should increase from all the people losing their jobs looking to buy an income.

John Trewolla (Numbers into Insights)

I based my comment upon an article in www.buyoutsnews.com titled "Purchase Price Multiples Hit Longtime Low." It quoted GF Data Resources, LLC. They are a provider of private equity valuation data. They said that last year, mid-market purchase price multiples hit the lowest point in at least six years. PPMs fell from a high of 6.0 in 2006 to 5.1 in Q3 2009. This report is consistent with the scuttlebutt I've been hearing "around town" among dealmakers.

Chuck Hodges (Executive and Product Development Expert)

John--I am assuming you mean purchase price multiple of trailing EBITDA, or? If so this matches the scuttlebutt I have been hearing of less than 5. Of course many SME EBITDAs also plunged in 2009 so that will drag further on total value, which may play into 2010 until companies can pull off a few quarters of solid numbers again. And of course a PPM on EBITDA is pointless for distressed businesses facing negative cash flows and unable to secure new loans because of this.

Bruce Miller (Bridge Business & Property Brokers)

2010 is going to be a good year to buy a business. Small to midsize businesses are priced primarily on profits and sales. Many businesses were down 30-40% in 2009. This should reflect in the sales prices. Sellers are lowering prices and are more open to holding notes.

Peter Rossato (Sunbelt Business Advisors of Hartford)

Aside from being a "forced" optimist for about the same reasons as Jed Davis mentioned above, I see more interest from buyers and sellers. More importantly I think the dynamic is changing.

From late 2008 through late 2009 buyers and sellers weren't even talking the same language. I felt like the "supply and demand curves" weren't meeting. That is changing now.

Buyers are more realistic since values shouldn't drop much more and sellers, perhaps, are more fatalistic and now think it isn't going to get much better in the short term (2-3 years.)

Maureen Sharib (Telephone Name Sourcer)

YES. The no jobs thing is going to continue. People need to feed their families SOMEHOW and some will be pushed to do it this way. Businesses are going to get premium prices but they're going to have to finance their own sales themselves at premium interest rates (10 - 15%) over 3 - 10 years if your buyer has a good down-payment (at least 25-30%). It's a good time to be a broker.

Russ Allred, MBA (Sunbelt Business Brokers and Advisors)

As a business broker, I am seeing more activity. We have lots of unemployed professionals that are looking and many businesses that could not survive the crunch are selling. Now is the time to make the connection

Brian Lacey (Franchising Executive: Food, Beverage, Retail)

From a buyer's perspective, 2010 will continue to be a challenge to secure favorable debt financing structures. The net effect on sellers may be to require their participation, either by accepting seller financing or to understand the market will not support historical (2007) cash flow multiples.

Zubin Daruwalla (Biz Development, Johnson & Johnson)

More deal making will happen. See the trend already. Confidence is returning and so is the liquidity. Lastly, valuations are yet to be over-stretched. So YOY more deal-making will happen.

Bill Williams (Watkins Ludlam Winter & Stennis, P.A.)

Yes. I have 4 closing in January. More on the board in February. By mid-March, I should surpass all of 2009.

Jeffrey Smith (Business Buyer Advocate ®)

Yes, I believe that it will be greatly improved. My buy-side clients have seen a big uptick in activity from quality businesses (profitable & cash flow positive) wanting to sell within the last couple of months. Last year the businesses that were trying to sell were selling out of desperation. If the business has good sales and profits in these times or an owner who would like to retire but does not want to stick it out for another 3 to 5 years, then now is the time to sell. Also with the new pending SBA guidelines ready to be passed by Congress (fee waivers, higher lending limits, 90% guarantees, etc) that will last throughout the year, this should allow the funding to be available to do a deal and put more \$ into the sellers hand at closing without as much seller financing.

Luis Alberto Figueiredo de Sousa (Senior Executive)

Yes, 2010 will be better than 2009. By the sale side SMB will capture value from its innovative management practices that permitted them to cope with the recent crisis. By the buy side big companies have shown interest in incorporating market proven innovative practices.

Sachin Kumar, PMP (Cognizant Technology Solutions)

Yes - But it is likely to be a cautious climb.

Many deals in 2009 ended up in a limbo owing to lack of confidence in the local, and indeed the global economy. Last year, one was unsure of how deep the recessionary trench will be. The last quarter of 2009, however, showed some signs of stability, and thereby rising investor and business confidence. With sense of positivity slowly but surely seeping in, it is highly likely that companies will look at newer strategic acquisitions that will be aligned business objectives while keeping in mind the short term reality.

Sandra Ferrigno (CEO at Indalia Consultants)

I think the market is moving slowly in the right direction. It will take time to give more signals of growing, but if you have intuition as well as luckiness, probably 2010 will be one of the best year to buy and sell small & midsize business entities.

Alan Munroe (AlanMunroe.com)

I am finding that SME management who were expecting a double dip economy started moving to rethink sales channels in 3rd quarter last year, innovate in the 4th are hitting the ground in 2010 with inspiration vigor and potential new markets. They are not looking for finance yet are very desirable to investors. Key word management vision. However those that ignored the double dip theory are the ones running for finance and selling their soul. Management style will be come even more key to investors in the near future. As for the future; the little guys can innovate, the big guys will buy us to appear innovative. Win-win if you ask me.

Alan Borsari (Excelerate - Structuring the Unknown)

The signals I collect in Italy (with its uniqueness) tell to SMEs that larger businesses sit and wait trying to solve their internal messes, private investors are flooded with opportunities so they are difficult to interest, banks make debt financing available at more reasonable gearing and provided the entrepreneur spends her/his whole self at the business they finance. So, yes, I believe there will be more dealmaking, but at very specific conditions, and for very specific SMEs.

Adeodato Volpi Netto

It is highly likely that there will be more dealmaking. Right in the heart of worldwide crisis, uncertainty about what would come next held some great companies efforts. I don't think that deals (at least most of them) did not happen due to lack of money availability, but by lack of confidence. New world cenario and huge horizons showing up front small and midsize business may come towards an increasing on the numbers of deals in 2010. I would leave here another question: "will they have (small and midsize companies) the proper support and coaching from M&A experts that they can afford and trust?" Maybe something for your next forum.

Mark Sievers, Owner at The Sievers Company
thesieversco@aol.com

I agree that there is pent up demand and 2010 should show an uptick. However, it could be a slow rise. For example, a strong buyer prospect for one of my larger listings told me that until he understands how health care legislation might impact his current business and any he might acquire he is going to sit on the sidelines.

Manuel Braga, Associate at Platinum Investments

There are plenty of opportunities for PE & VC entrepreneurs in the Brazilian middle market in 2010. 2009 was already far better than 2008 in Brazil, and we expect that consolidations will go on and faster in 2010, as many sectors in our economy are still dominated by small and medium companies that suffer from lack of scale. Funding should not be a problem, as our banking system didn't suffer much with the crisis, the Brazilian government is investing a lot in infrastructure and international capital is well aware of opportunities in Brazil.

-END-

You can tell us and our readers your opinion on this and other topics at these two blogs:

- Blog: [The Business Buyer Advocate](http://www.businessbuyeradvocate.com/) (<http://www.businessbuyeradvocate.com/>)
- Blog: [The Business Seller Advocate](http://www.businessselleradvocate.com/) (<http://www.businessselleradvocate.com/>)

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