

A high-angle, slightly blurred photograph of three business professionals (two men and one woman) in a meeting. They are gathered around a table, looking at documents and a laptop. The image is semi-transparent, allowing the text to be overlaid.

Buying a Biz in Today's Market

Presented by Richard Parker, Diomo Corporation



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Hosting



David Nilssen

Founder, Guidant Financial Group

- 2007 SBA Young Entrepreneur of the Year
- 2007 Top 40 Entrepreneurs Under 40, Biz Journals
- 2008 & 2009 Ernst and Young Entrepreneur of the Year, Finalist



Presenting

Richard Parker

Founder



www.Diomo.com

- Author
- Broker
- Entrepreneur
- 20 years of Industry Experience



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Overview of the Current Market

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The Buyer Pool



- 15:1 buyers to sellers
- Number of qualified buyers vs. active “lookers”
- A great time for serious buyers to stand out



Sell a Business in This Market?



Who would sell today?

- Industry statistics of business turnover
- Why people sell?
- The current market increases good and bad listings
- Some owners can't handle tough markets





Challenges

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Revenue and Profit Trends



- Average business down 20%
- Profits declining more steeply than revenues
- Yesterday's growth is today's stability



Obtaining Financing



- Banks didn't lend money in the best of times
- SBA loan trends – down 90% but outlook is better
- Seller financing is always your best bet and why?



Gaining Confidence for the Future



- What are the most recent trends?
- Things will get better...eventually
- There's only one place for job security
- What could render the business obsolete?
- If all remains status quo will the business type come back with a better economy?
- When will it turnaround if at all?



Industry Perception of Buyers



- Too many “tire-kickers”
- Serious buyers get the royal treatment
- Be well-prepared and ready to buy
- “Need” vs. “want”
- Move in, analyze, offer and move on



Controlling the Deal



- Brokers have their role- know what it is
- It is not their future
- You need reasonable data to make a decision
- The buyer is king now, so leverage it-don't abuse it
- Make offers!





Why Now is the Best Time in the Last 25 Years

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Seller's Market-No More



- 20 years of a seller's market
- Good businesses off the market in days
- The majority of buyers had confidence and equity
- Less buyers force flexibility amongst motivated sellers
- All-cash deals non existent in mid-range
- Third-party financing at a trickle
- Sellers forced to be the bank today
- Deal terms are all in buyer's favor now





Key Issues to Consider

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Most Businesses in Decline



- What impacts the business' sales?
- Who does the business rely on for it's business-consumers or B2B?
- If consumers; a decline may be a macro symptom
- If B2B, the customers may never come back-company may be ok but what about the clients?



Financial Statements

- Documents used in growing economy-Fiscal P&L's, B/S, Tax Returns
- Traditional financial statements may not be adequate-need up to date data
- 12 month training vs. typical periods



Comparing “like” Periods



- Inconsistency is a problem, so month over month is not a valid measurement
- Need to compare month to quarter YTD vs. same periods in prior years
- Look for key ratios-(i.e. % of line item expenses to revenue)
- Gross margin is key
- What cuts being made-are they strategic or lipstick on a pig?





Deal Structures

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Performance-Based Deals



- Ties the purchase price and terms to the future events
- Why do they need them?
- Keep them simple: Identify the single biggest concern



How to Structure Them

- Tie them to revenue, profits, margins, client or supplier retention
- How each would work
- It's not "all or nothing"
- Establish a floor and ceiling
- Include a mechanism to measure/audit/resolve disputes
- Why brokers hate them



Timing on Earn-outs



- Longer isn't always better
- 12-24 months is reasonable
- Can have milestones along the way





Making Offers is the Key

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Next Webinar

Finding the Right Small Biz to Buy

Feb 17th @ 10a PST

