

In This Issue

Has the sub-prime crisis affected the ability to sell businesses?

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I specialize in the sale of small privately held companies. My clients are in the niche retail, manufacturing and service sectors. As an existing business owner, I understand the many challenges faced by business owners. My clients benefit from my knowledge and expertise. I received a BS in Operations Management/Information Systems from DeVry University, an MBA from the Cox School of Business at Southern Methodist University, and I hold the designation of Certified Business Intermediary (CBI) awarded by the International Business Brokers Association.

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Has the Sub-Prime crisis affected the ability to sell businesses?

The short answer is no or at least not yet. Certainly buyers and lenders tend to exhibit more caution during uncertain economic times and one common source of a buyer's down payment, the home equity line, has been considerably affected both by reduction in available equity (loan-to-values have shrunk) and the reduced value of the home itself.

Fortunately, the financing for the more profitable acquisitions is being provided by the Small Business Administration (SBA) which makes loans of up to \$2 million and up to eighty percent of the purchase price. Since the SBA program is self-funding and the paper is guaranteed by the U.S. Government, there is NO liquidity crisis here. While pricing of small to medium business remains firm, the cautionary mood of lenders does require a greater degree of preparation on the part of a business owner who chooses to go to market now. More so than a year ago, successful funding requires a well-researched and thorough package that anticipates and succinctly answers the lender's concerns.

According to a recent poll of three escrow offices (two in the SF Bay Area and one in the Los Angeles area) sales for business opportunities in 2007 were equal to or greater than sales in 2006. Susan Dunn of William H. Dunn Attorney at Law in Campbell, California, said that 2007 was about the same or better than 2006. "We had some big multimillion dollar deals that happened in 07 that put us at about the same level or a little ahead," says Dunn. "We usually get busier toward the summer."

Judy Hetland of Financial Title in Concord, California, said that 2007 was definitely better than 2006. "We were up at least 15 to 20 percent," says Hetland. Speculatively speaking, Hetland thinks she may know why. "I have a theory," says Hetland. "I have seen many people buying businesses that wouldn't normally be buying them, like real estate agents."

Cindie Kim of United Escrow located in Torrance, California, said that while the number of transactions didn't drop from 2006 to 2007, she did notice a difference in the dollar amount towards the end of 2007. "In Los Angeles County, I have noticed that the dollar amount for the average transaction has gone down," says Kim. "Last year we saw average deal sizes between \$300,000 to \$400,000 dollars. In the year 2007 we have seen a drop of approximately \$50,000 to \$70,000 per transaction."

BTI Group/Business Team expanded in 2007 with the acquisition of the largest business brokerage in Southern California. Growth includes additional offices in Newport Beach, Woodland Hills, Seattle, and St. Louis. More than 150 full-time professionals are currently engaged in the sale of small to mid-size (\$100 million in revenue) businesses. BTI Group offers business sellers the ability to access the largest data base of buyers and in turn, offer buyers the largest single source of businesses for sale. Last year Business Team sold 218 businesses and currently offers more than 750 businesses available for sale.

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