

Is Now a Good Time to Sell a Business?

Given the shaky economy is now really a good time to Sell a Business? Now may be a great time given the sheer number of buyers in the marketplace right now. The number of buyers we are working with compared to the same period last year is up by a factor of three. If your business has solid fundamentals and you have plan, this is the time to talk with a professional intermediary. For example, our firm currently represents a B2B services business that has had flat sales the past two years and slightly fluctuating cash flows. This business has received five offers and this should result in an attractive exit for the owner.

How are you finding the buyers? We are dealing with strategic buyers and individual investors. The strategic buyers see a great opportunity to grow market share and top-line revenues. Individuals, largely the unemployed masses, are looking to replace an income and use this opportunity to gain some control of their careers and futures.

How are deals getting financed? Financing has become our biggest challenge but it may also be an opportunity for sellers. On the challenging side, most banks have completely withdrawn from the business acquisition lending market. Many of the banks have made their underwriting requirements so onerous that the bankers are not even bothering with these types of loans. In addition, the SBA implemented an SOP change limits the amount of goodwill in a business acquisition loan to a maximum of 50% of the total loan, or a hard cap of \$250k, whichever is greater. With our large service-based economy most of our deals easily eclipse the SBA benchmark and, as a result, the banks do not want to deal with these opportunities. However, some banks are still lending and Sunbelt has a relationship with preferred lenders that can get business acquisitions financed if they meet certain criteria.

Many sellers are taking this opportunity to gain control of their deals by offering seller financing. While there are risks associated with this financing strategy, there can be significant upside, for example: interest earnings can be in excess of \$32,000 for every \$100,000 in seller financing offered, a first secured position, deferred and potentially lower taxes, and faster transaction times. It is worth saying that the right advisors, with actual experience with seller notes, are imperative to ensuring a good deal for all the parties.

With the right plan and the right advisors, now might be a great time to exit the business.

Minneapolis, MN
(612) 455-0880

Saint Paul, MN
(651) 484-2677

Milwaukee, WI
(262) 901-0086

Chicago, IL
(773) 243-1603