



ENLIGN ADVISORS
MERGER AND ACQUISITION SPECIALISTS

Talking Points for Business Owners: Is now Right Time to Sell?

July 23rd, 2008 (revised 11/15/2008; 1/26/2011; 9/20/2011; 1/6/2018)

On average, privately held companies are sold every seven years and it is generally accepted that 20% of all privately held firms are for sale at any given time. Thus, it is important for business owners and their advisors to be aware of the issues that affect private business sales.

At this time, we feel that over the next several quarters there are several macroeconomic factors that will have a material impact on business owners who are considering the sale of their businesses. We have outlined them here for you and your clients to determine what, if any, action should be taken to minimize their exposure while maximizing the net retained proceeds from a business sale if such course is taken.

While ENLIGN is committed to continuing education and voluntarily maintaining certifications from the International Business Brokers Association and American Business Brokers Association, care should be taken in selecting business brokers as there is no regulation or oversight of the industry in many states. Additionally, we strongly advise all clients and prospects to retain qualified transaction professionals for legal and accounting/tax matters. Referrals are available on our website at www.enlign.com/network.

Business Transaction Statistics:

Business Brokers reduce the average amount of time required to sell a business. Ideally, planning and preparation for the sale of a business should commence at least one year in advance of the desired exit. Many times however, this lead time is not available and the experience and relationships your business broker can bring to the transaction is particularly valuable.

Attempting to sell a business without the assistance of a qualified transaction attorney, accountant, and business broker often results in improperly documented agreements, poor valuations, breached confidentiality and unnecessary tax burdens. Further, records show that businesses marketed by a qualified broker are three times more likely to result in an actual sale (the others go out of business, are given away, liquidated, enter bankruptcy, etc.). Selection of a qualified team should be the first item on the transaction planning checklist.

Current Issues affecting Business Owners in 2018:

Donald Trump has passed across the board tax reductions for capital gains treatment. What this means for business sellers is that monies allocated to goodwill will be taxed at a much lower rate – which drops right to the bottom line of proceeds the Seller is able to retain from the transaction proceeds. Those considering a sale may be able to sell at a lower price and/or sell faster as the retained proceeds will be higher than under Obama era tax policies.

In 2011 the oldest of the baby boomers start turning 65. Of the approximate 83 million of them, many are business owners and many will be looking for exit strategies over the next 5-10 years. Reports indicate that beginning January 1st, 2011 every single day more than 10,000 Baby Boomers will reach the age of 65. That is going to keep happening every single day for the next 19 years! Supply and demand will surely apply to the market for businesses for sale. As supply increases, demand will likely remain consistent with prior periods. Business owners who list their businesses first should sell sooner and receive higher multiples as a result of being on the favorable side of supply and demand curve.

The sub-prime meltdown affected everyone. Its impact on business sellers has mostly been mitigated as over time gross revenues and net profits have returned to pre-recession levels. The mid-term forecast is that well

prepared and professionally represented Sellers will receive slight premiums compared with Obama era transactions. A pro business sentiment has been heard from the White House as the President appears to be embracing small businesses beyond a path to economic recovery but beyond to record success. Billions have been allocated to small business lending through community banks. These funds are accessible for small business acquisitions.

There was a "New Normal". Perception is reality as they say and the perception of buyers is that until recently they are tired of waiting for the economy to improve. The new normal is represented by lower interest rates, more realistic valuations by sellers and optimism regarding the outcome of the Presidential election and the natural return to an economic growth cycle. Business buyers are reassured as reports of consumer confidence and public sector earnings reports are coming in positive and in many cases higher than expected. The stock market is at an all time high setting 74 new records in 2017 alone.

We are seeing that businesses with sound financials and buyers with good credit and industry experience in the business being acquired are being financed with reasonable terms and conditions. Commercial business acquisition loans are receiving Loan Letters of Intent in as little as 2-3 days with full SBA underwriting approval in 3-4 weeks. It pays to have team members with significant lending relationships for your buyer.

Final Considerations:

Experienced advisors should be considered to manage the process of selling a business to insure confidentiality and allow the business owner to remain focused on operating the business.

Business Brokers are an effective resource to value, market, negotiate and advise business sellers. They do not take the place of attorneys or accountants; rather they work as an intermediary by and between the parties to assist in completion of a transaction.

The reduction of Federal capital gains tax, the retiring of baby boomers, stable credit markets, strengthening consumer confidence, public sector earnings reports and a record breaking stock market has improved business buyer confidence making now an ideal time to consider selling privately held companies.

Should you wish to discuss any of these issues in more detail please contact Jeff Snell of ENLIGN Business Brokers at 919-624-1124 or jsnell@enlign.com.

Additional white papers are available at the firm's website, www.enlign.com to attorneys and their clients without charge.

ENLIGN Business Brokers works with transaction attorneys and accountants representing profitable privately-held, NC companies for sale with gross revenues in excess of \$1,000,000.00. We deliver the highest market value in the shortest amount of time, with complete confidentiality.™