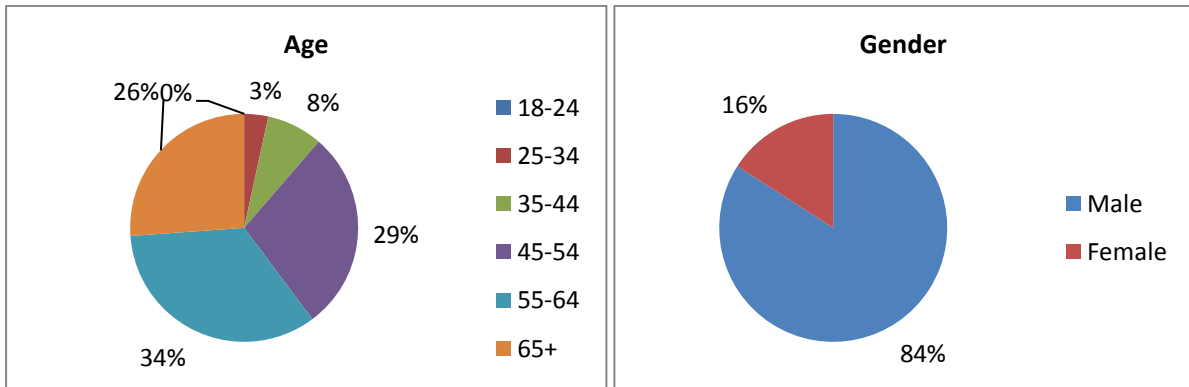


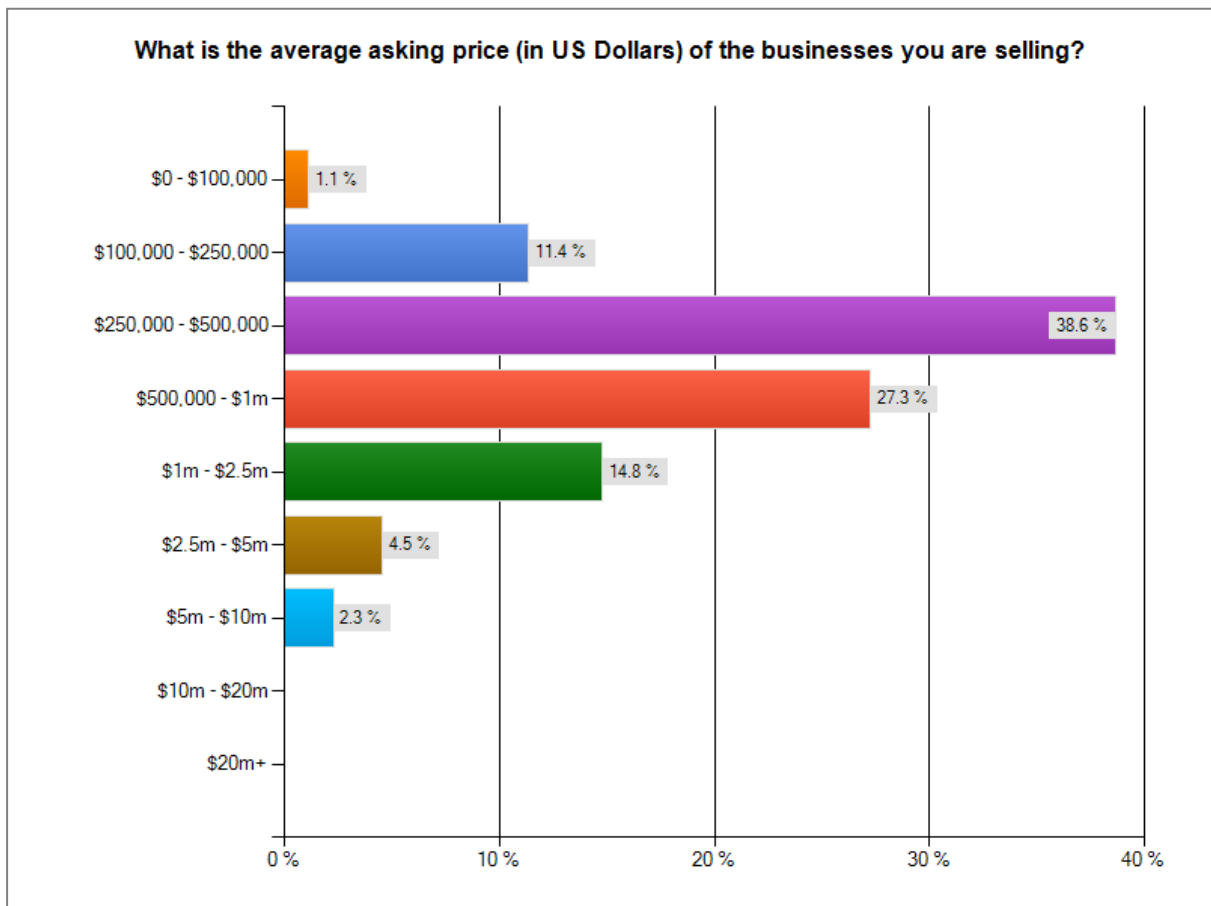
US Broker Survey Findings

Brokers

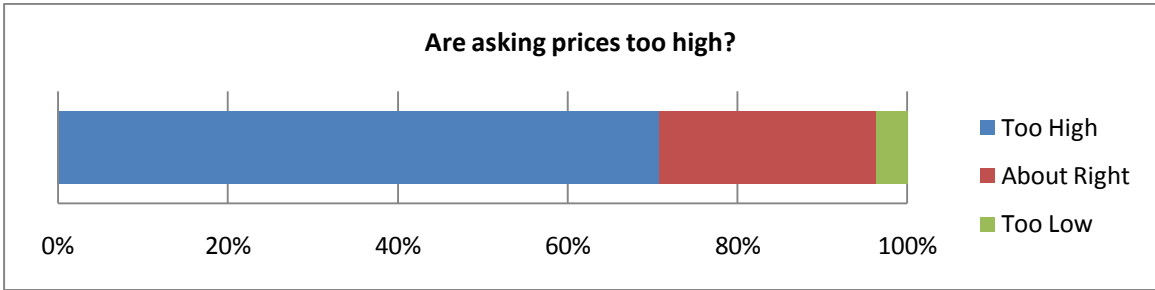


Almost 60% of US brokers are aged over 55 (much older than UK brokers) and more than 80% are male.

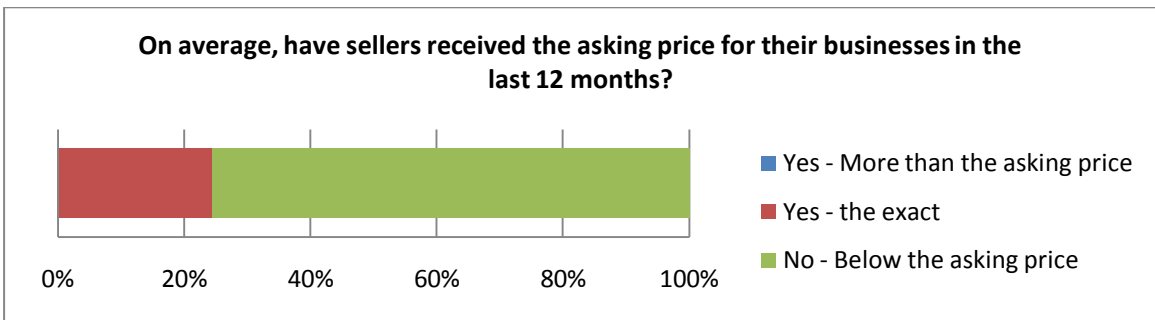
Asking prices



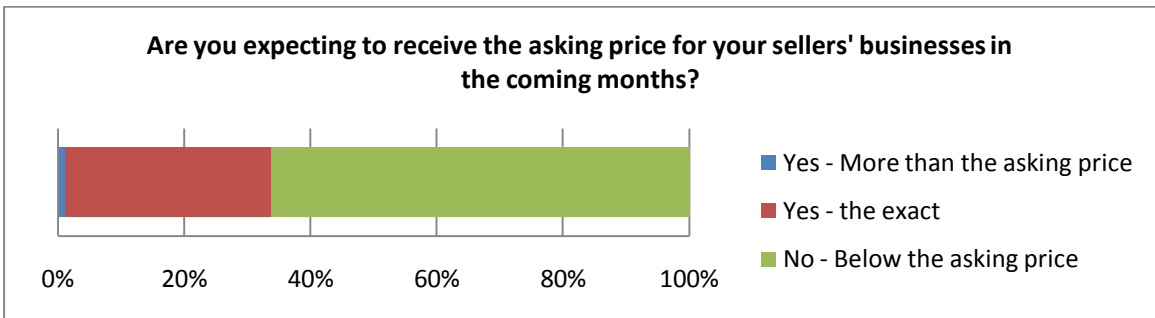
This graph suggests that the majority of businesses being sold/advertised through a broker in the US have asking prices of between \$100,000 and \$2.5 million. The average business asking price would appear to be between \$250,000 and \$500,000.



70.7% of brokers say that current asking prices are too high, and 3.7% of respondents stated they thought prices were too low.



The downturn is evident in business sales – no sellers have been receiving more than the asking prices and over 60% of brokers saying their sellers are getting less than they would like.

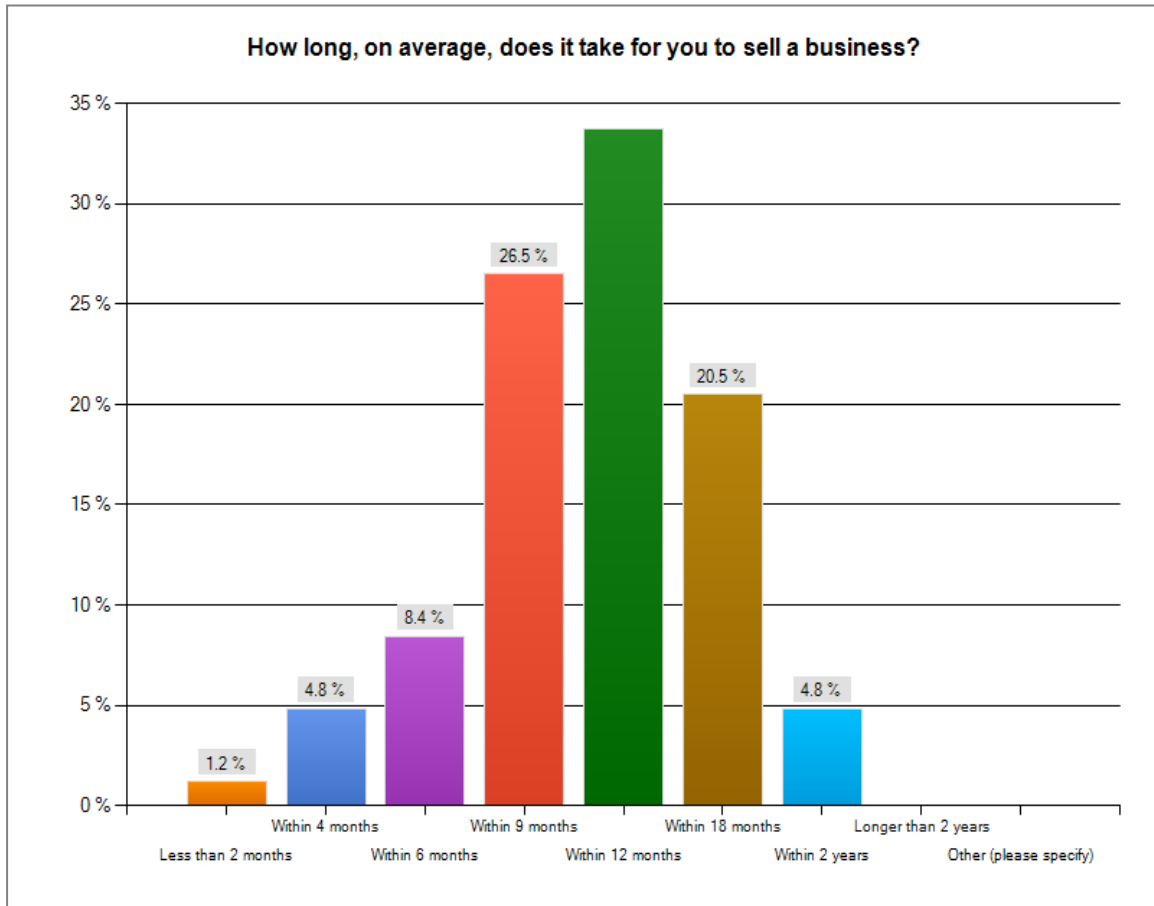


There is a slightly more optimistic outlook for the coming months, as 32.5% of respondents believe their sellers will start to receive the asking price.

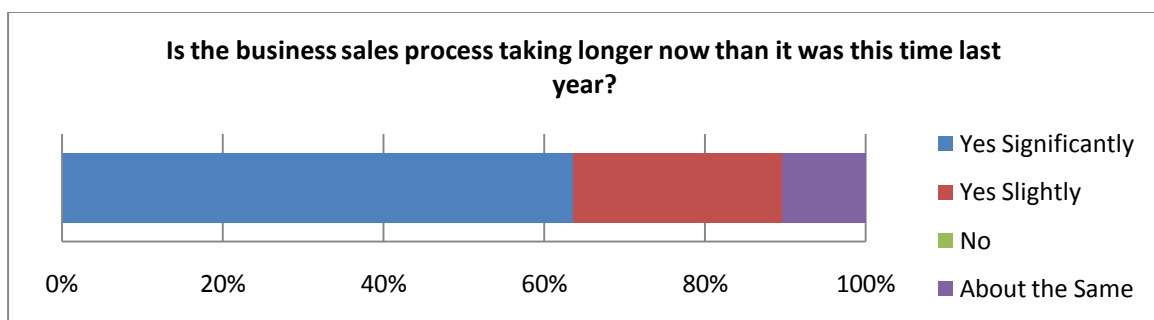


A common challenge faced by brokers is the unrealistic price expectations of vendors – and this is reflected in the fact that over three quarters of brokers stated their clients dropped their asking prices in order to get a quicker sale.

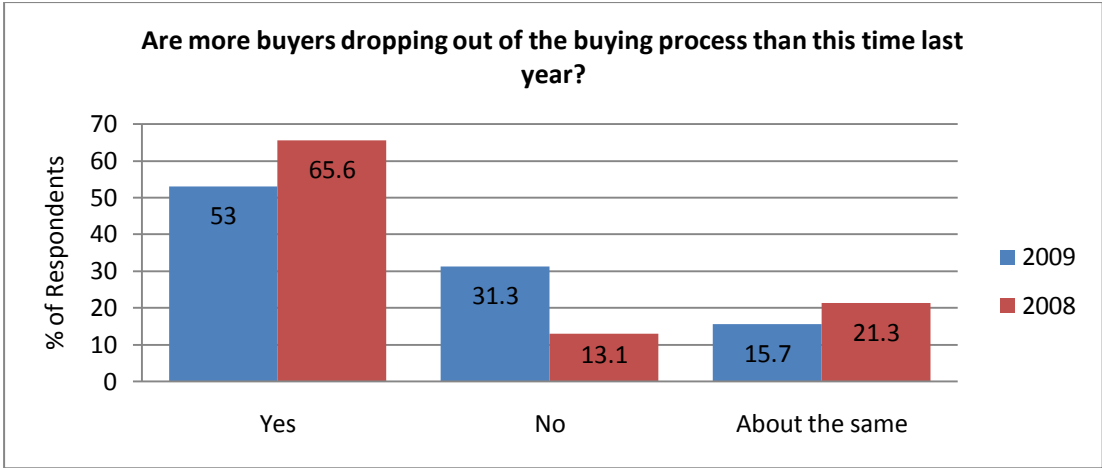
The business sale process



On average, it takes between 9 and 18 months to sell a business. A handful of sales are going through in short periods of time – 14.4% of respondents said it took less than 6 months to sell a business.



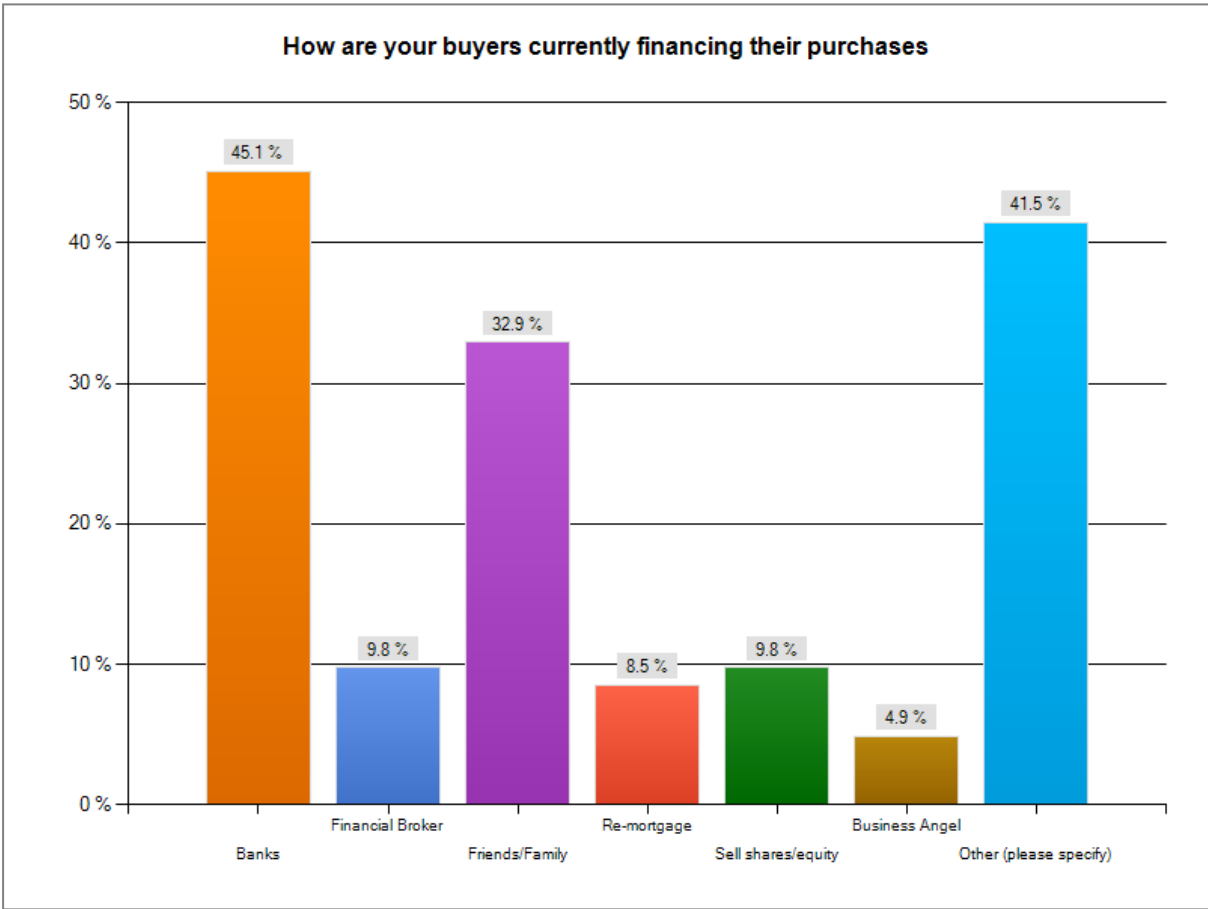
Sales cycles are taking longer than they were in 2008 – more than half (59%) of brokers agree that the process is taking significantly longer since the onslaught of the economic downturn.



A hopeful indication that things really are starting to pick up is that less buyers are dropping out of the buying process than this time last year. This also suggests that those making inquiries on businesses are qualified and have finance in place.

The main reason buyers drop out of the process was problems with raising finance.

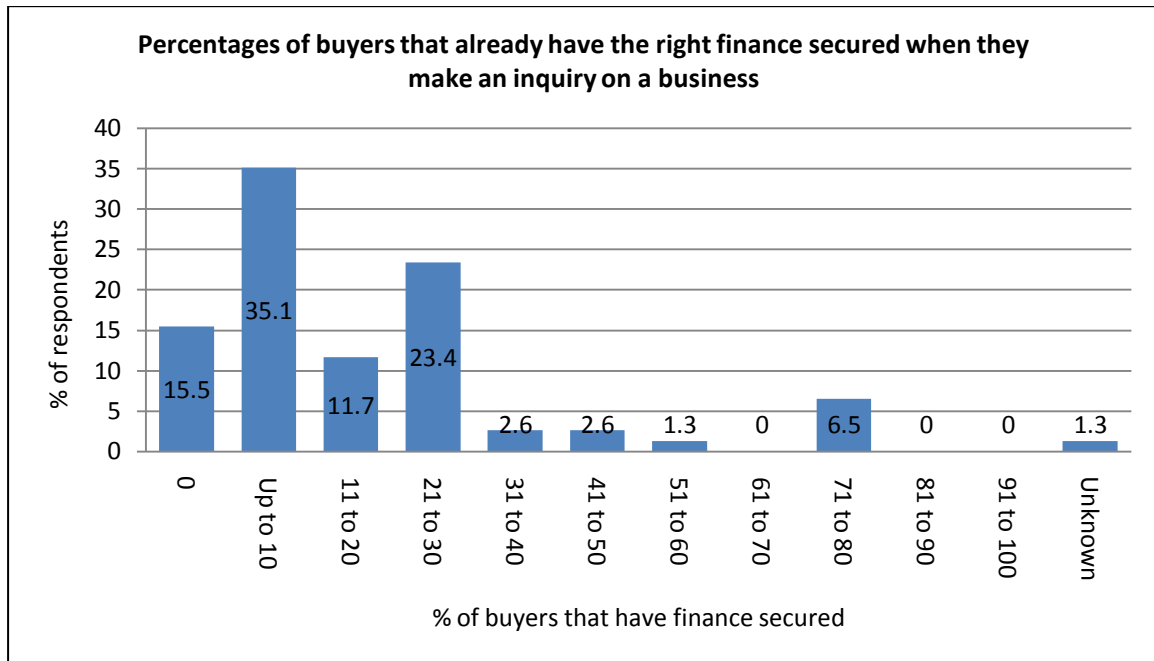
Finance



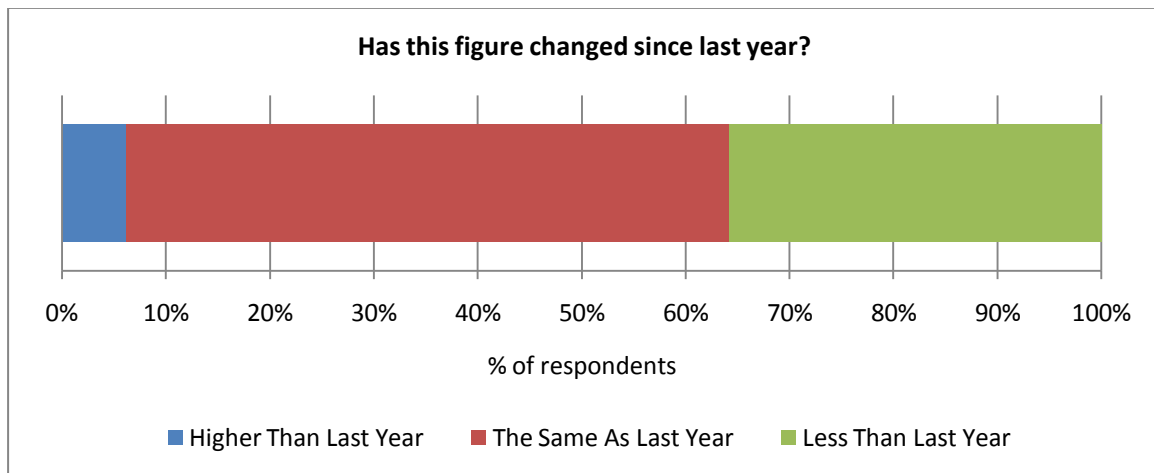
Buyers are getting their money from a range of sources although banks and friends & family appear to be the most reliable and commonly used source of funding.

30% of respondents stated that seller financing was a popular way for buyers to finance a purchase – comments found in ‘other’.

Just 26% of brokers have the facility in house to provide finance – compared to 40% in the UK.

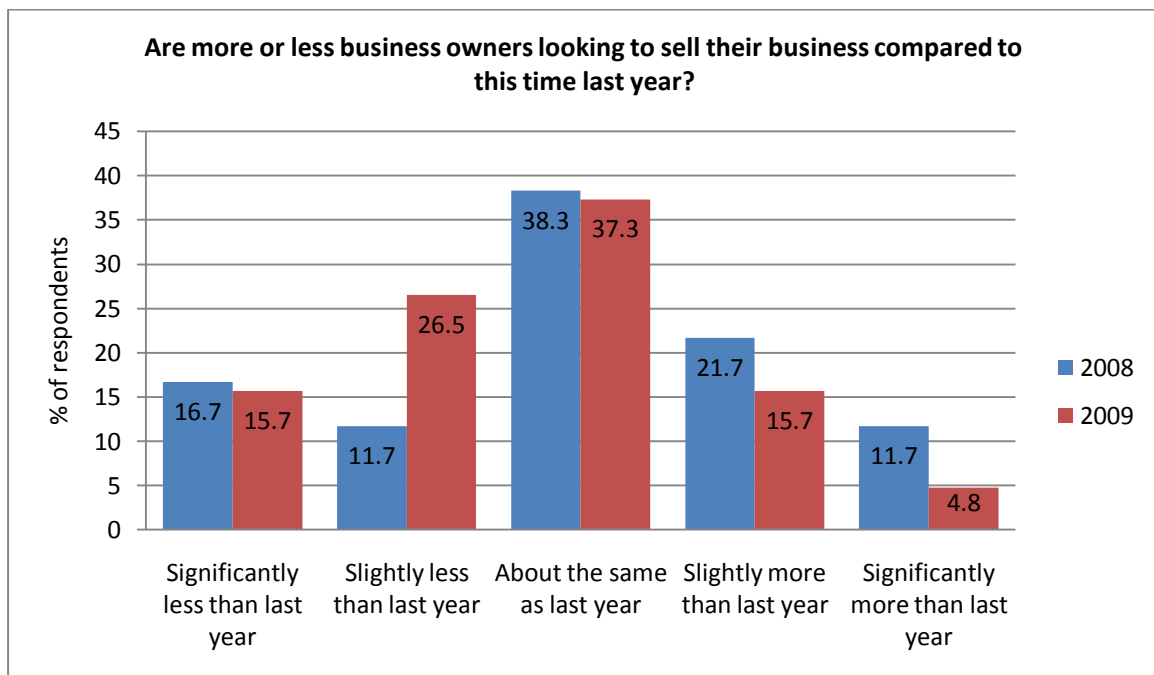


Under 30% of buyers have finance in place when they make an initial inquiry on a business.



As the number of serious buyers has dropped, and buyers are finding it harder to find finance for business purchases, the number of buyers who have finance in place when they make an inquiry on a business has also dropped since last year.

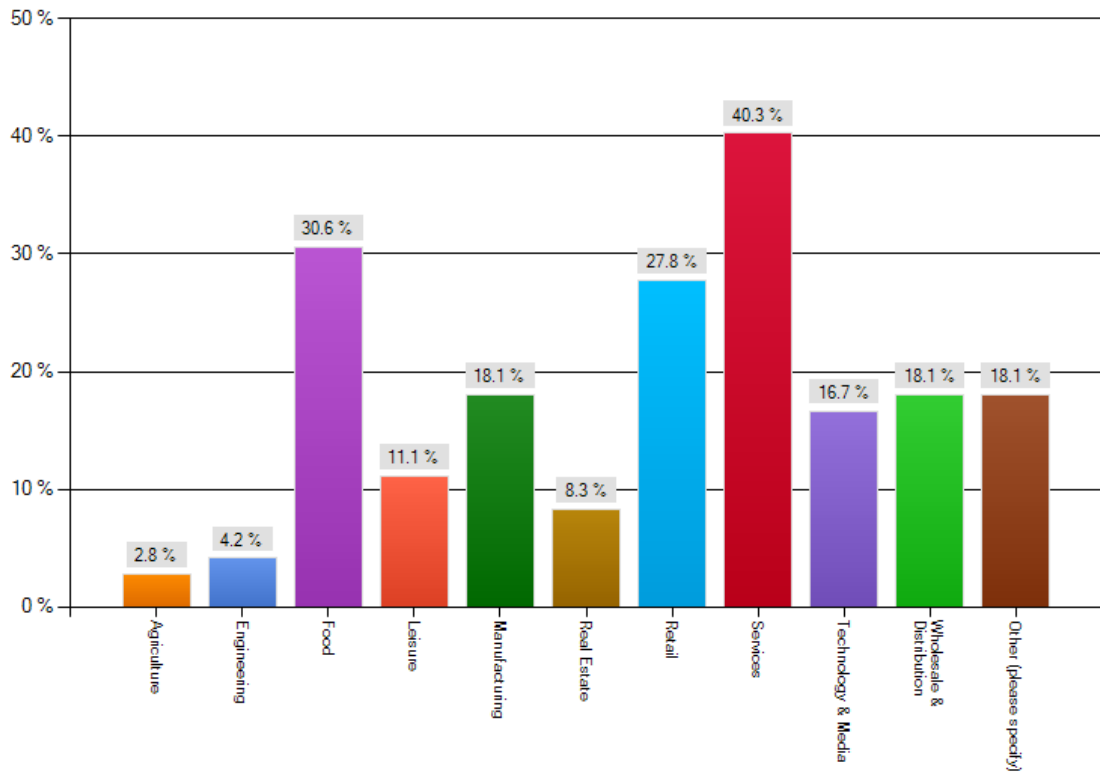
The marketplace



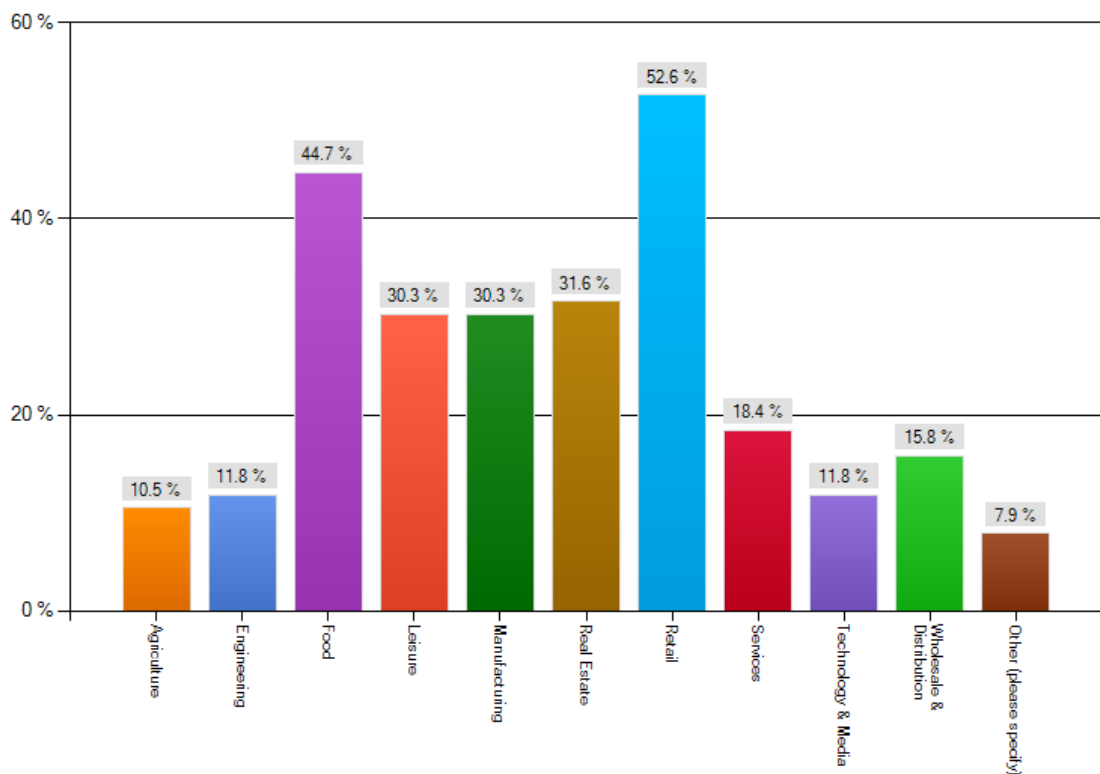
On the whole this graph suggests that there have been less business owners looking to sell – i.e. less listings.

Compared to this time last year, there are more brokers saying there are less listings around, and less brokers saying there are more listings. A worrying trend, however this could be attributed to the recession and business owners hanging on to their businesses until the economy, and the value of their business, has improved.

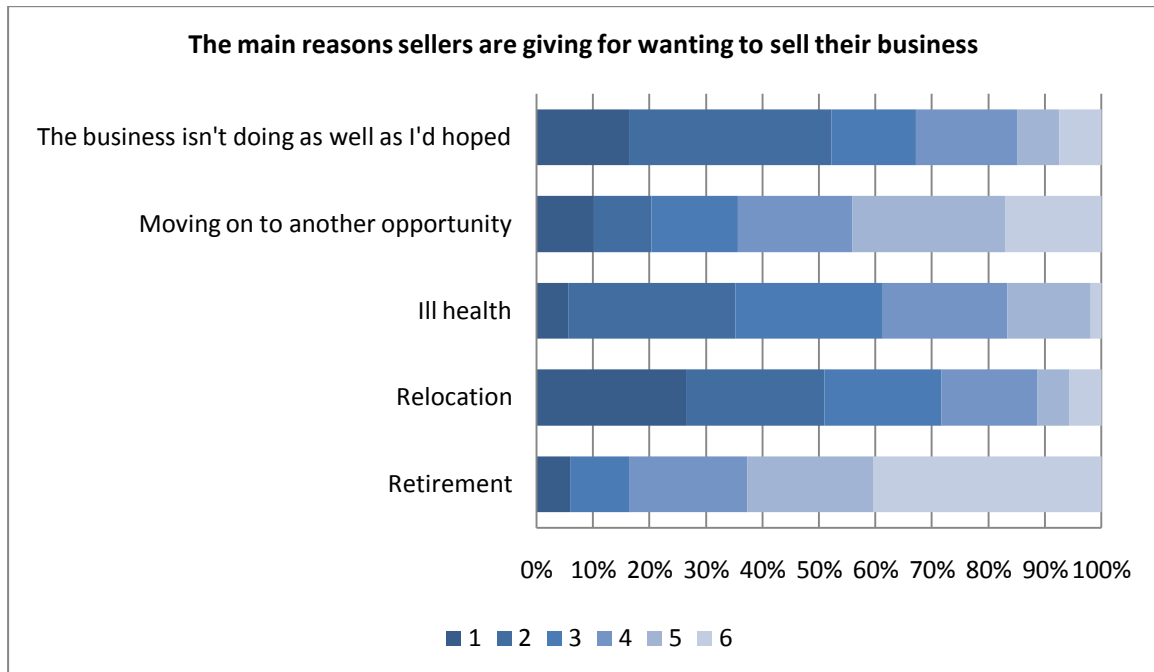
Within which industries have been you seeing increases in sales over the last 12 months



Within which industry have been you seeing decreases in sales over the last 12 months



There has been an increase in businesses for sale in the food, retail and service sectors. Brokers also singled out healthcare related businesses as being easier to sell in recent months. Strangely, brokers have cited businesses in the food and retail sectors as businesses that have been harder to sell over the past 12 months, along with real estate, manufacturing and leisure businesses.



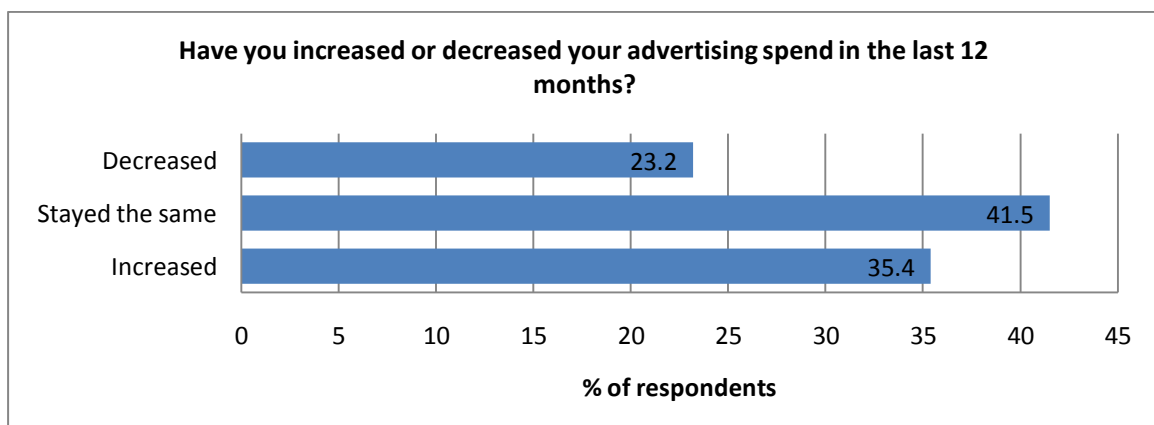
The chart above shows the main reasons sellers are giving for wanting to sell their business.

We asked the brokers to rate the above reasons vendors give when selling their business, from the least often given to most often given, with 1 being least and 6 most.

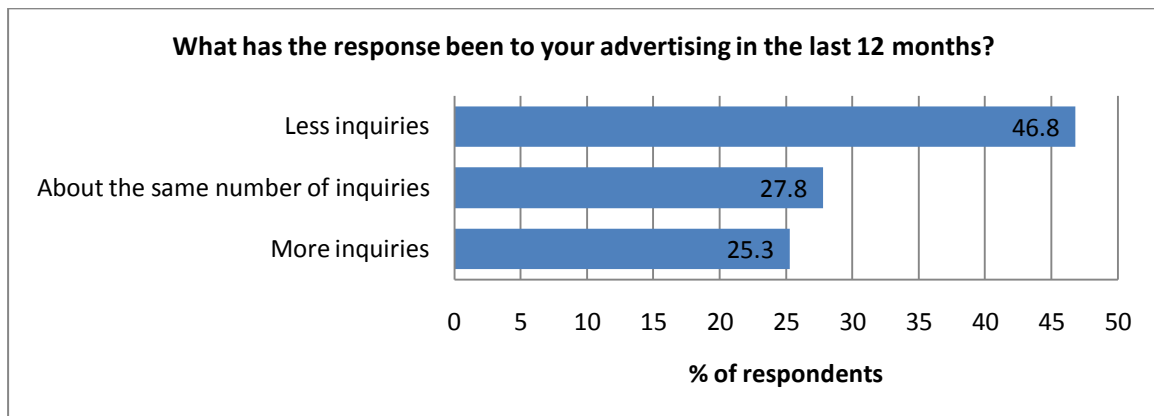
“Retirement” is the number one reason sellers look to sell, with “moving on to another opportunity” and “ill health” being the next most popular reasons.

“Relocation”, whilst it is a reason for people looking to sell, doesn’t seem to be that common.

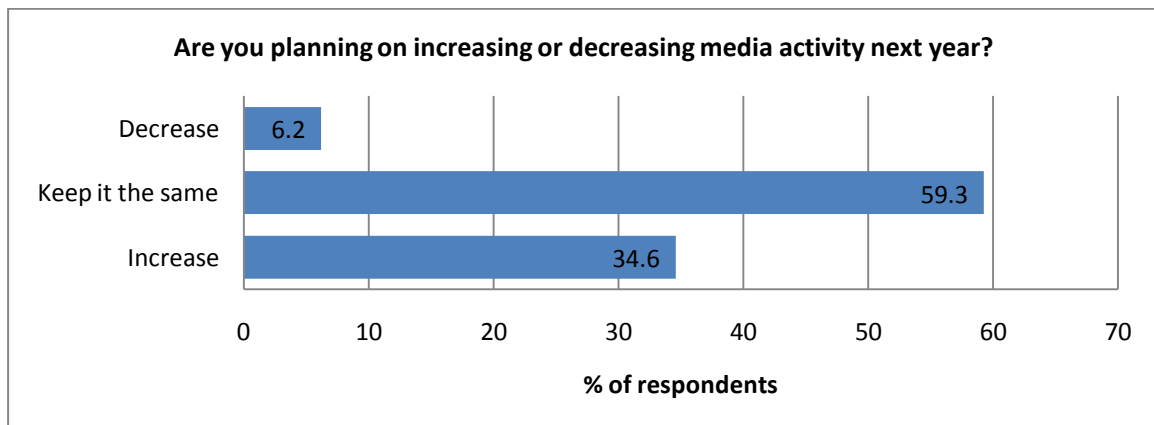
Advertising



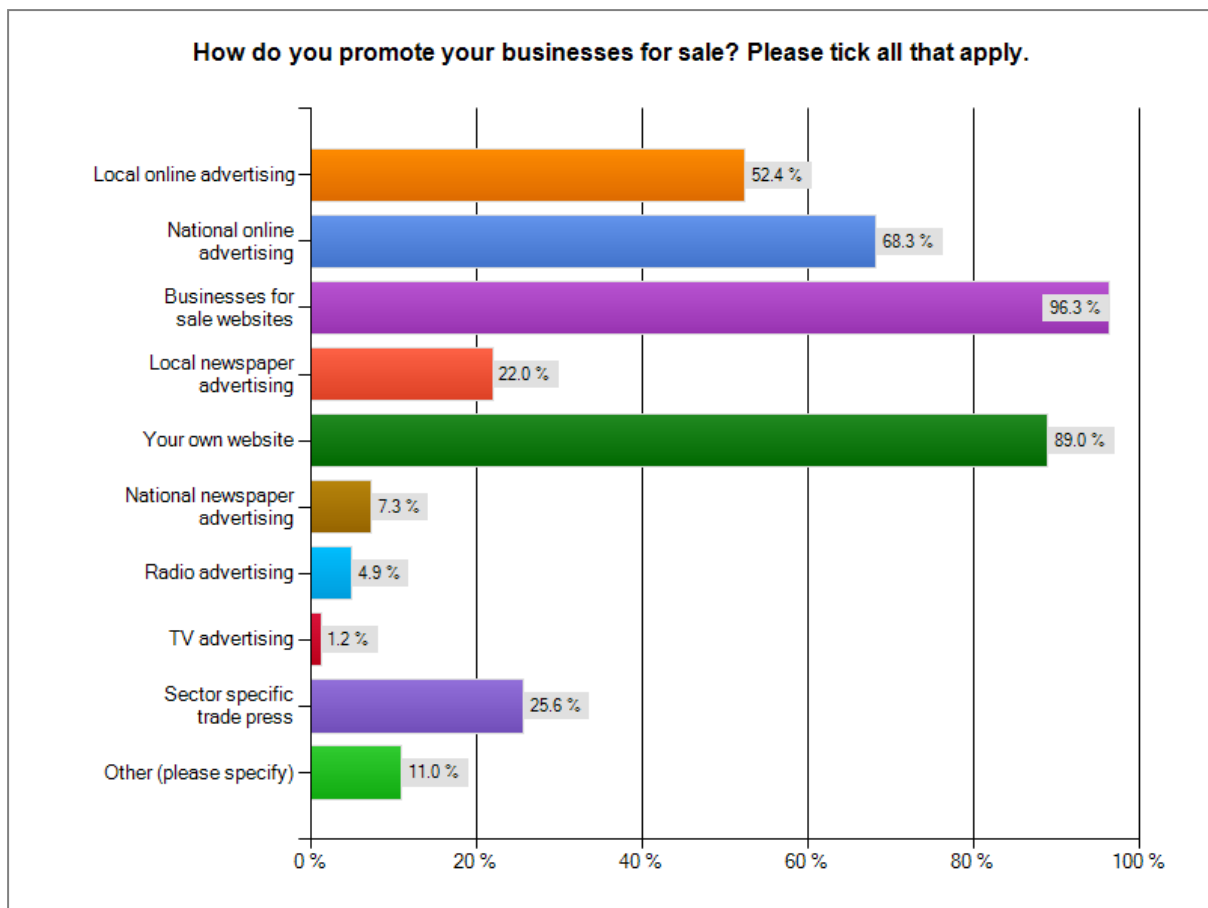
More than three quarters of respondents have kept their advertising spend the same or increased spending – despite the recession – highlighting the importance of marketing and promotion during tough times.



However, despite the continued and increased investment in marketing, close to half of respondents revealed they have seen a drop in inquiries.



The drop in inquiries doesn't seem to be putting brokers off spending money on advertising. Just 6.2% of respondents said they were planning to reduce their advertising spend, and just over a third looking to increase spend. There still appears to be hesitancy in the marketplace, as 59.3% say they will keep spend the same, worried as to whether the market really will pick up as is predicted.



This shows that US brokers rely heavily on online advertising to generate buyer leads, be it business for sale websites, their own website or local and national online advertising.

Other responses included reaching potential buyers directly through direct mail and emarketing.

Challenges

Brokers were asked 2 open ended questions, to name the main challenge they feel they face today and the main challenge they feel they will be facing in the near future.

Some of the responses relate to the economic climate - i.e. buyers finding the right finance to complete the purchase, while others are relating to the process itself – i.e. over valuation and high vendor expectations and some relate to new legislation and red tape.

Challenges facing business brokers, intermediaries and transfer agents today:

- Availability of financing 50%
- Being able to convince the sellers to price their businesses properly/inaccurate and overinflated valuations/unrealistic expectations 12.2%
- Finding good quality listings 6.8%
- Buyer suspicion as a result of the consumer protection focus of real estate commissions and media/lack of credibility of intermediaries 4.1%
- More tire kickers, due to so many listings in the Internet Buyer's have access to/less qualified buyers 4.1%
- The recession 4.1%

- Competing with real estate brokers for listings and less desirable business opportunities available on the market 2.7%
- Getting true financial details from sellers/gaps in cash flow 2.7%
- Lack of buyer confidence 2.7%
- Sellers' businesses are showing declining sales and earnings, resulting in buyer caution 2.7%
- Untrained and unqualified brokers, lack of professionalism and not educating themselves 2.7%

Other comments:

- 2009 was not an economic downturn for me
- Awareness of need for a broker
- Buyers are looking to steal (steeply discount) the businesses
- Dealing with landlords
- Economic downturn greatly overshadows everything else. Buyer's ability to get financing is directly related to the economy problems
- Government legislation
- Incorrect perceptions of both buyers and sellers
- Lending guidelines
- Fewer buyers
- Sellers' assumptions that there are few buyers during a downturn
- Selling companies are in financial distress
- Technology
- The change in how buyers find businesses to buy
- Thinking internationally instead of local
- Wide spread in the perceived value of a business between buyers and sellers

Interesting quotes:

“The challenge is finding motivated sellers who will sell at a realistic price - and whose expectations have not been artificially inflated by scam companies that promise unrealistic valuations but really only exist to collect large up-front fees.”

“Funding!!!!!! The banks have gotten to be impossible to work with! It's very frustrating.”

“Lack of financing in spite of all the hype about new SBA programs. When banks can make a 2% spread loaning to the government why should they take a risk and loan to businesses?”

“As well as the challenge of finding funding for business sales, there is a need for additional innovative deal structures on behalf of the agent as well as management of Buyer/Seller expectation. Additionally, there is a real challenge to find funding.”

“The reputation of the industry (too many hacks out there - mainly real estate agents). Also, there is a general lack of education amongst the public; people don't know what a business broker does.”

“The impact of the recession is so significant that all other challenges seem immaterial.”

Challenges facing business brokers, intermediaries and transfer agents in the near future:

- Availability of financing 32.8%
- Government - lack of small business incentives and more legislation 7.5%

- Unrealistic seller expectations 5.6%
- Slow growth 5.6%
- Unqualified brokers 5.6%
- A general decline in profits; which will negatively impact the fair market values; and yet seller expectations will not proportionately change 3%
- Businesses that were undercapitalized will be back on the market 3%
- Untrained real estate agents trying to sell businesses 3%
- More volume due to increasing population of baby boomers 3%
- Lack of public understanding of the role of a broker 3%

Other comments:

- A decrease in buyers as employment opportunities increase as we come out of the recession
- Bridging the gap between buyer and seller expectations
- Costs of promotion, other costs
- Hard for buyers to find and get information on businesses they are interested
- Lawsuits from buyers that end up in default
- Less brokers unless the economic climate changes
- Buyer confidence
- Non exclusive contracts will be the norm. No more exclusive right to sell agreements

Interesting quotes:

“The same as funding if the Government doesn't do something to help the small business owner and buyer!”

“The public does not know or understand the value of a business broker or what they can do to facilitate the business sales process.”