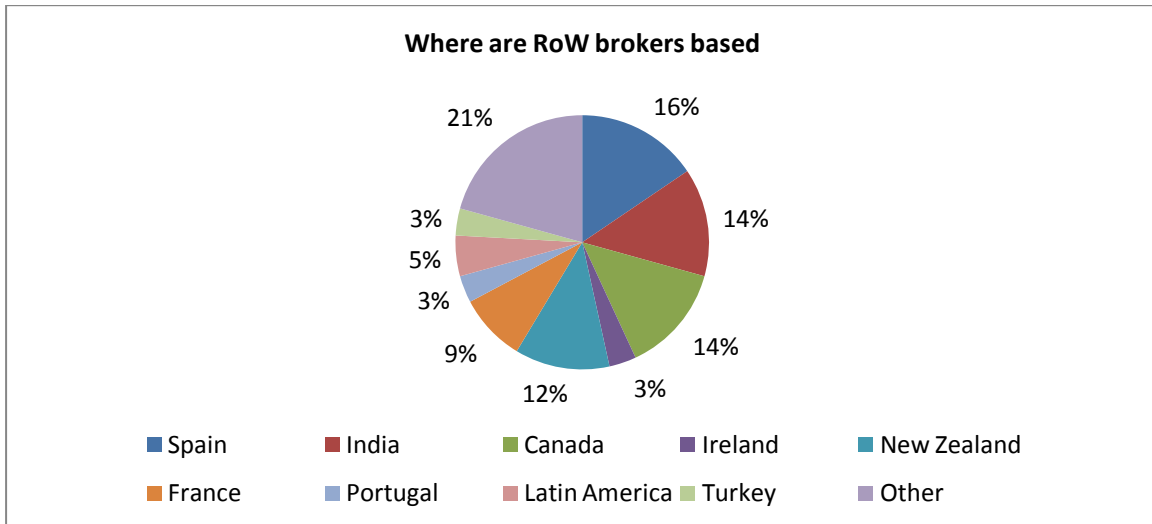


## RoW Broker Survey Findings

In December 2009, over 60 brokers answered questions about the business transfer marketplace.

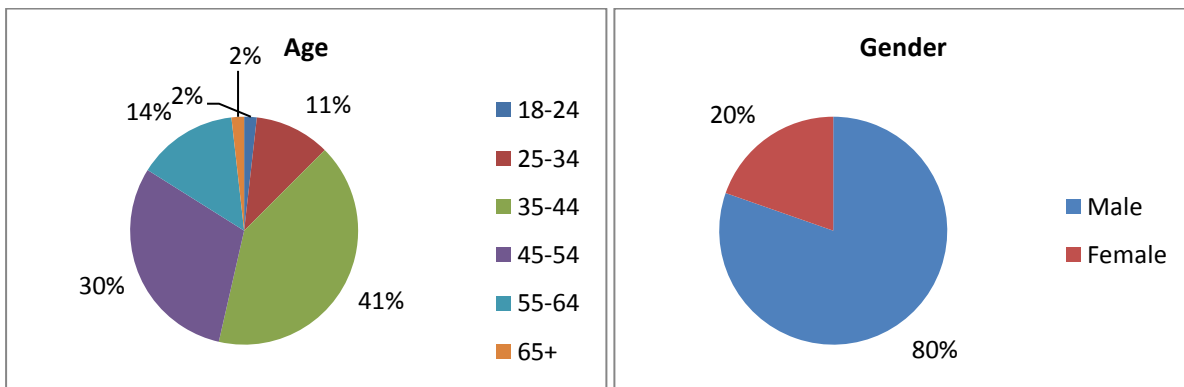
### Brokers

RoW brokers include brokers in all countries apart from UK, US, Australia and South Africa.



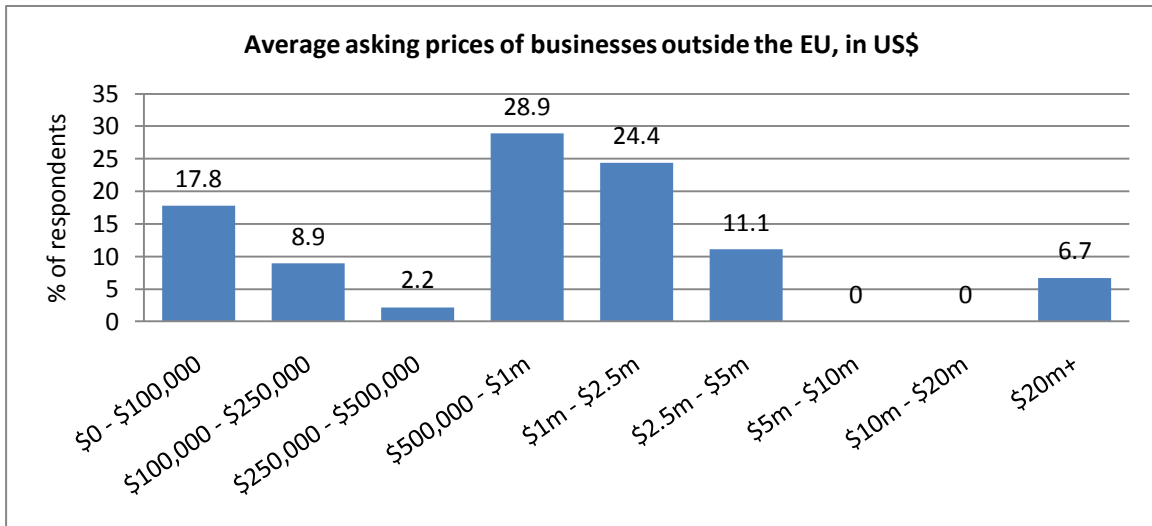
Other includes:

- Thailand
- Croatia
- Mauritius
- Czech Republic
- Greece
- Bulgaria
- Italy
- Lithuania
- Indonesia
- Luxembourg
- Russia
- Jordan

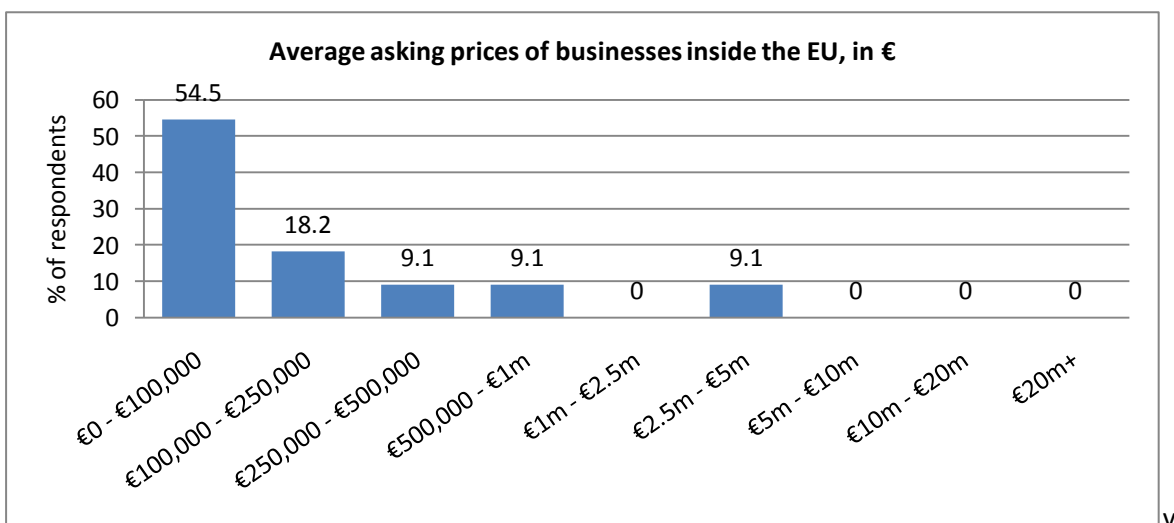


Almost 71% of RoW brokers are aged between 35 and 54, younger than in UK and US. and more than 80% are male.

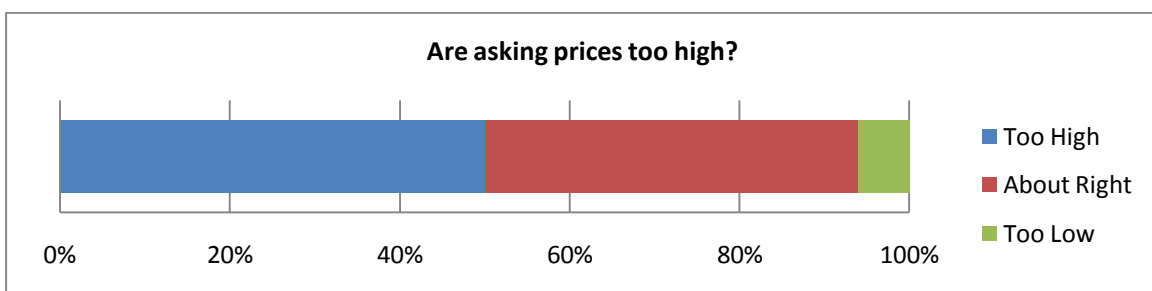
### Asking prices



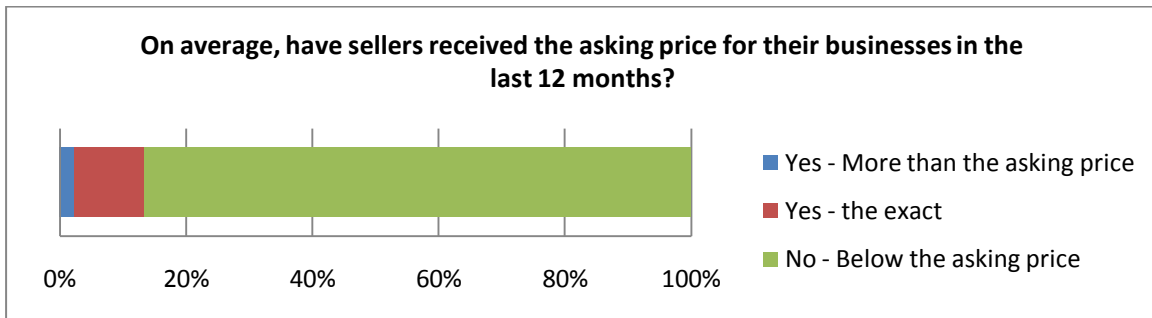
This graph suggests that the majority of businesses being sold/advertised by brokers who operate outside the EU have asking prices of between \$500,000 and \$2.5 million. However there are also many businesses – just over a quarter - that have asking prices of less than \$250,000.



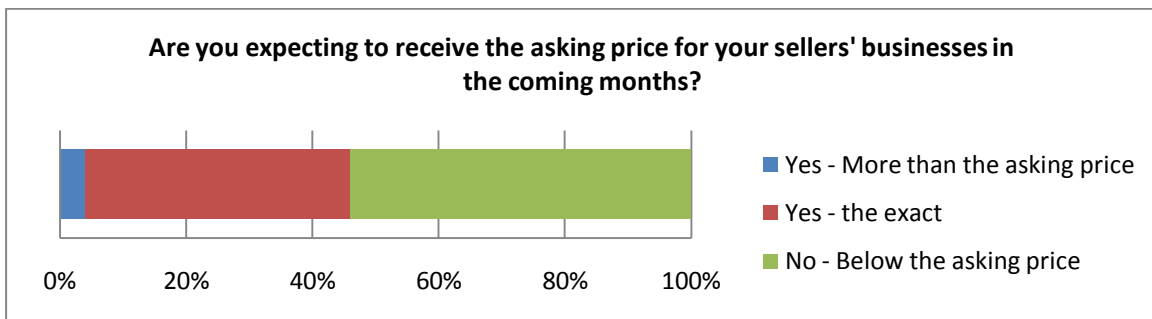
Brokers operating within the EU appear to be selling low end businesses, less than €100,000.



50% of brokers say that current asking prices are too high, and less than 10% of brokers stated they thought prices were too low.



The downturn is evident in business sales - just 8% of sellers received over the asking price for their business, with almost 70% saying sellers were receiving less than anticipated.

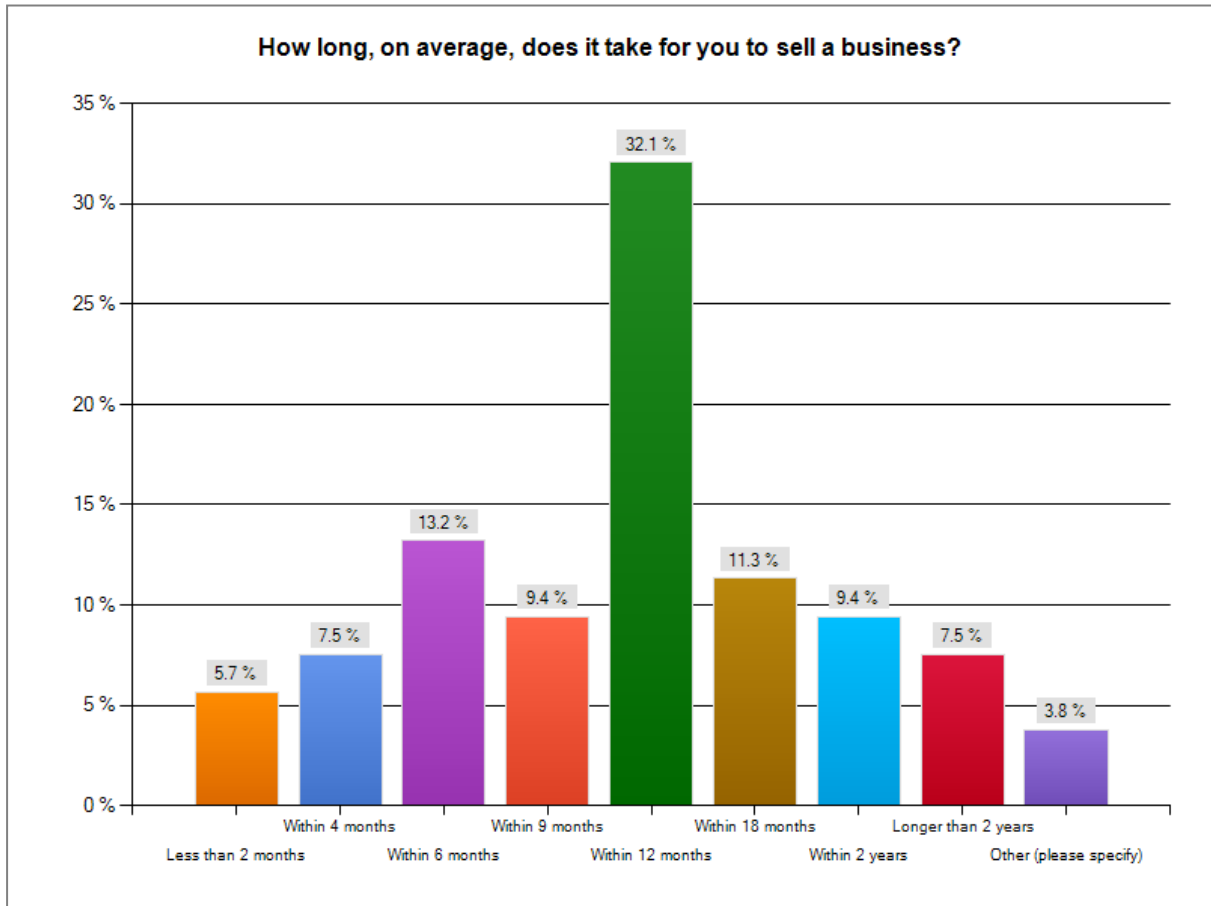


Brokers are expecting this trend to continue, with 50% anticipating that their sellers will receive less than the asking price for their businesses over the coming months. More brokers believe that their vendors will start to receive more money for their businesses over the coming months.

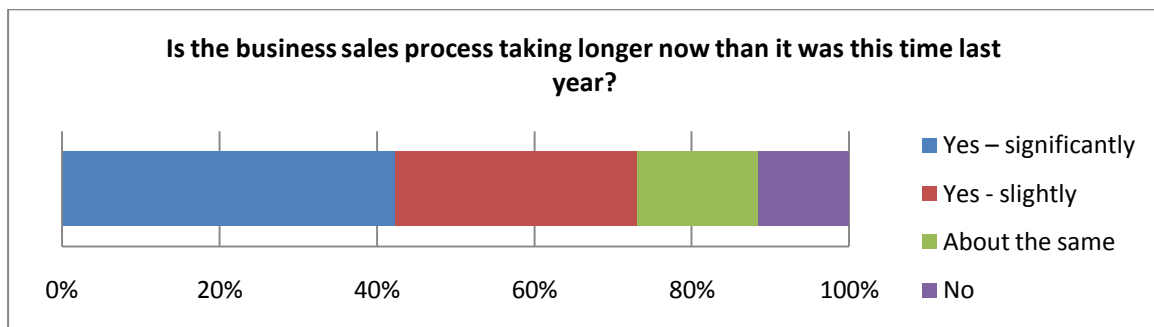


A common challenge faced by brokers is the unrealistic price expectations of vendors – and this is reflected in the fact that over 80% of brokers stated their clients dropped their asking prices in order to get a quicker sale.

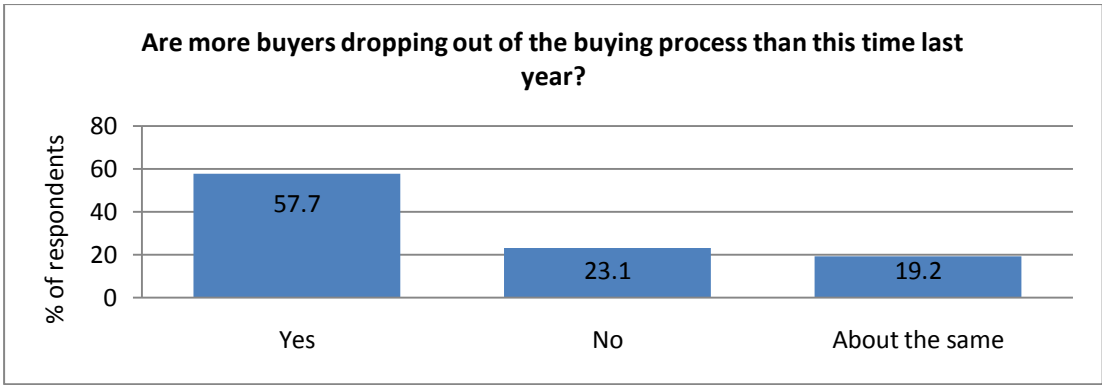
## The business sale process



The majority of brokers say it takes around 12 months to complete the sales cycle.



Sales cycles are taking longer than they were in 2008 - 42.3% of brokers agree that the process is taking significantly longer since the onslaught of the economic downturn.

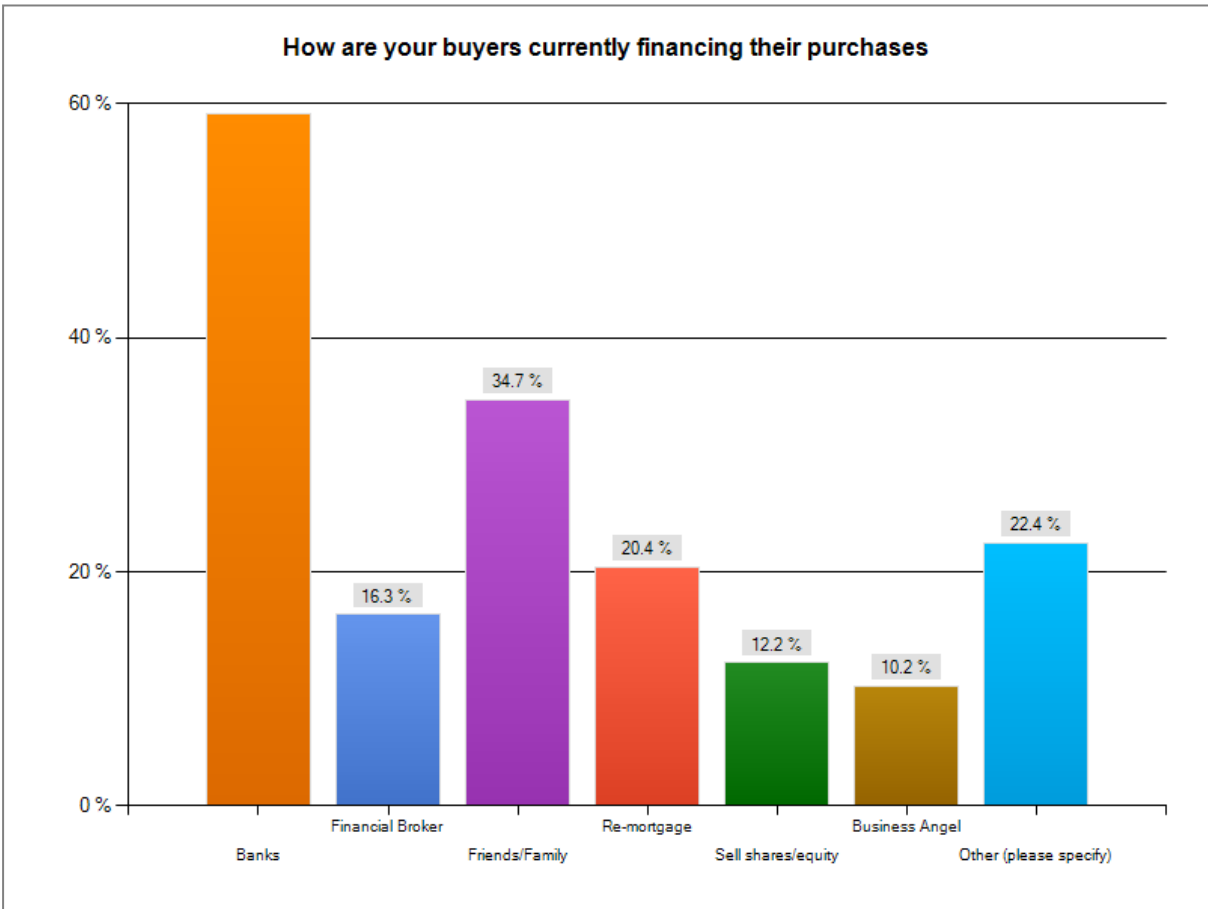


57.7 of respondents reported that more buyers are dropping out of the buying process than this time last year.

Brokers gave the following reasons for buyers dropping out:

- Candidates' buyers await the end of the crisis and hope the lower prices of business sale.
- Owners cannot prove their financial information
- Having a hard time feeling confident in themselves and the business opportunities
- Political turmoil in many states of India
- Cannot raise finance

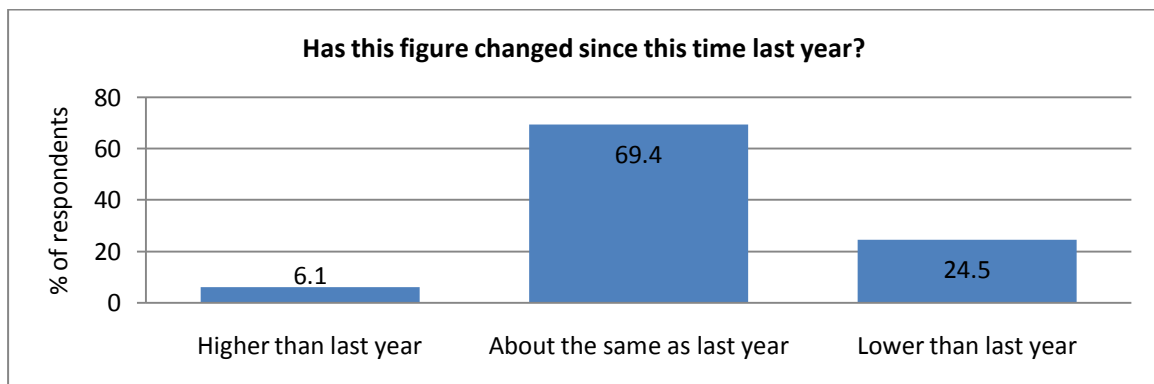
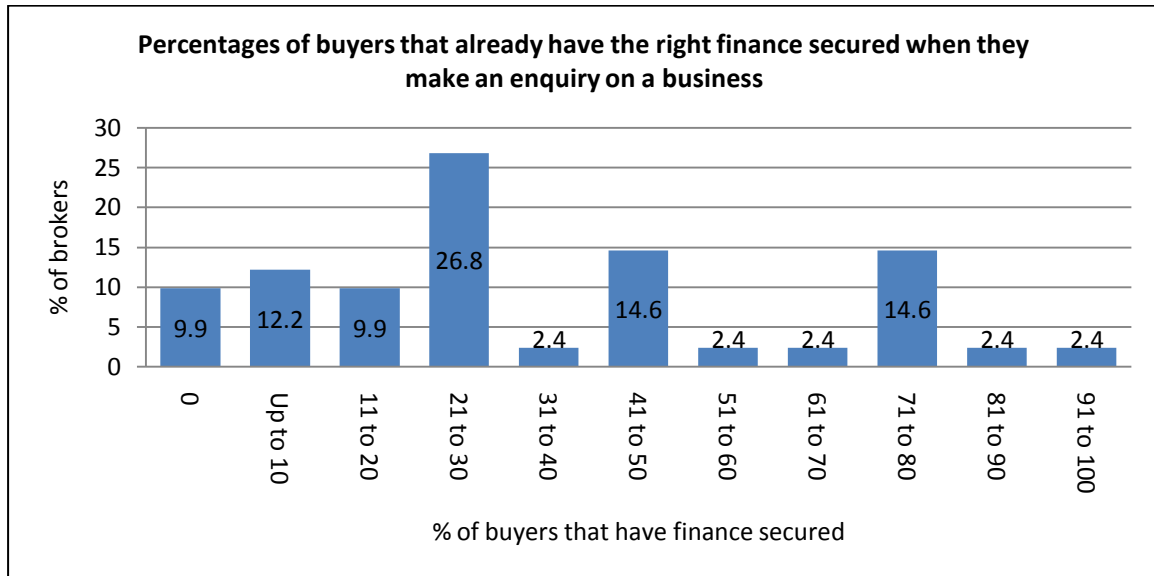
**Finance**



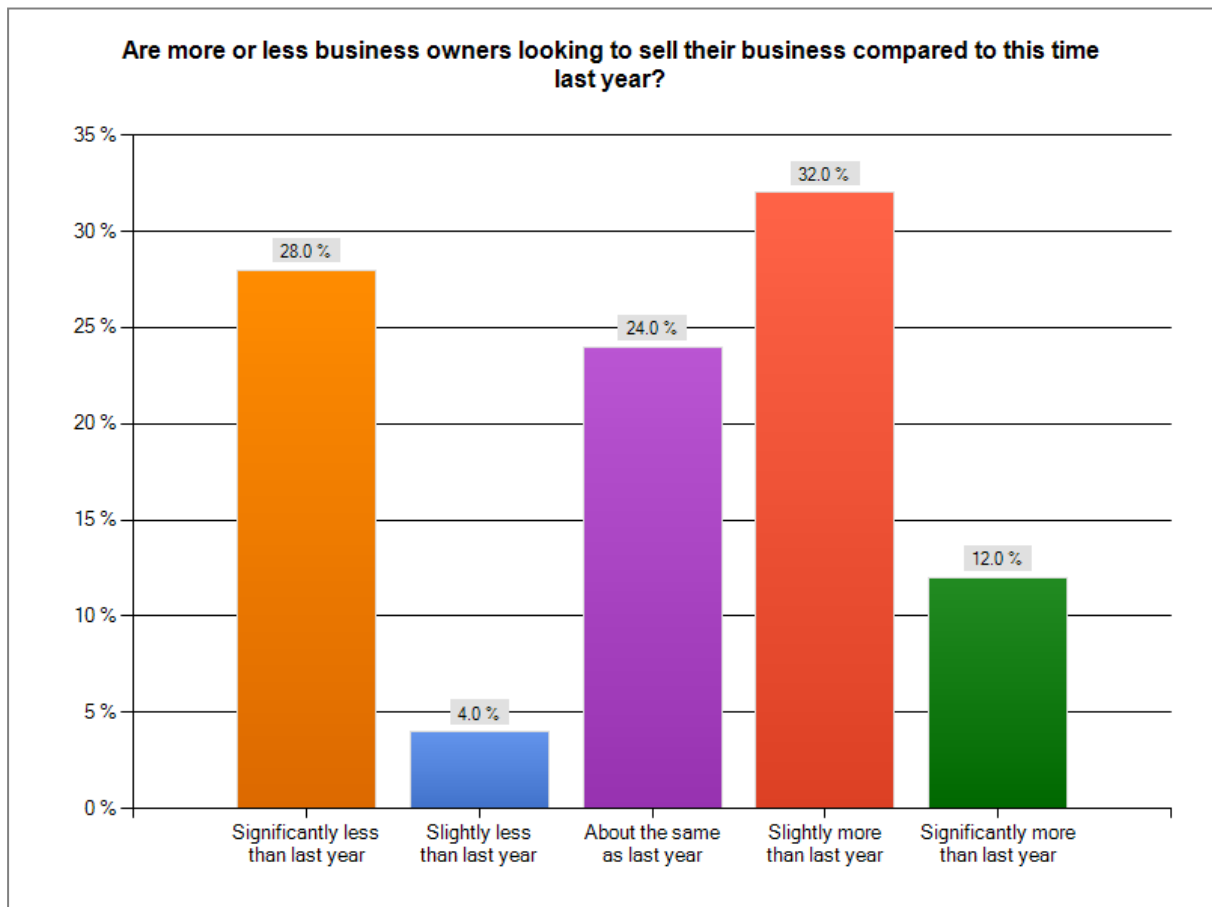
Buyers are getting their money from a range of sources although banks and friends/family appear to be the most reliable and commonly used source of funding.

The majority of responses in 'other' revolved around buyers financing the business purchase through cash and savings.

28% of brokers have the facility in house to provide finance.

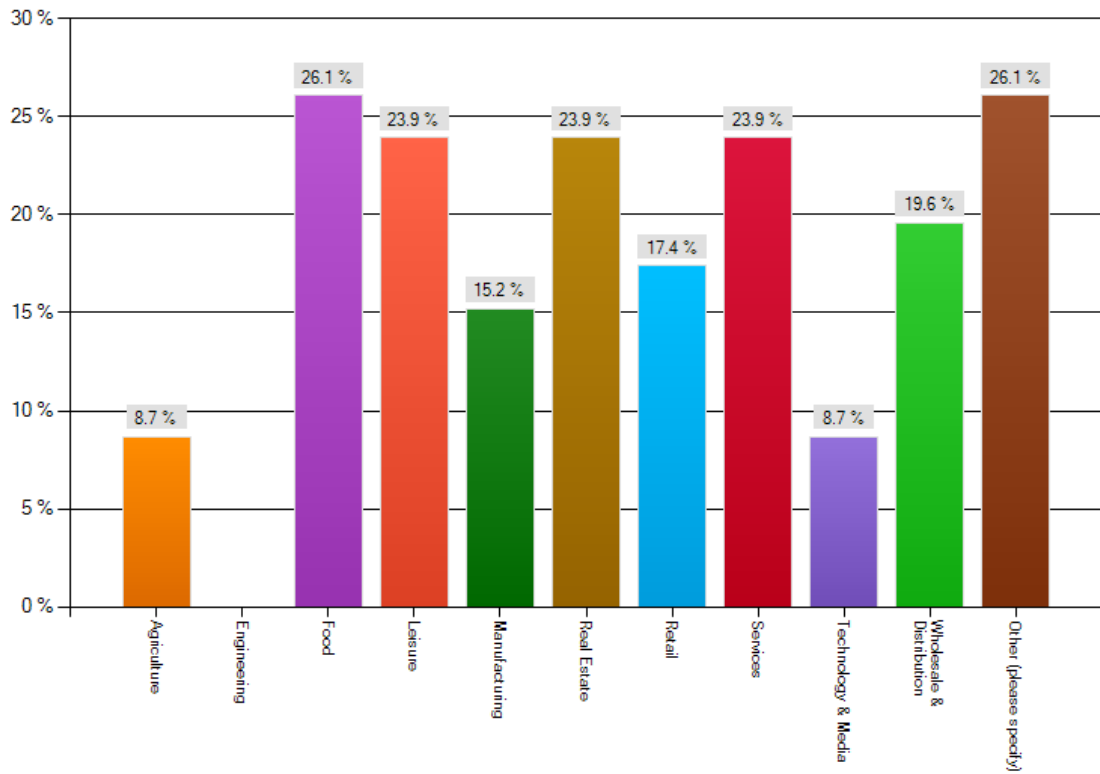


## The marketplace

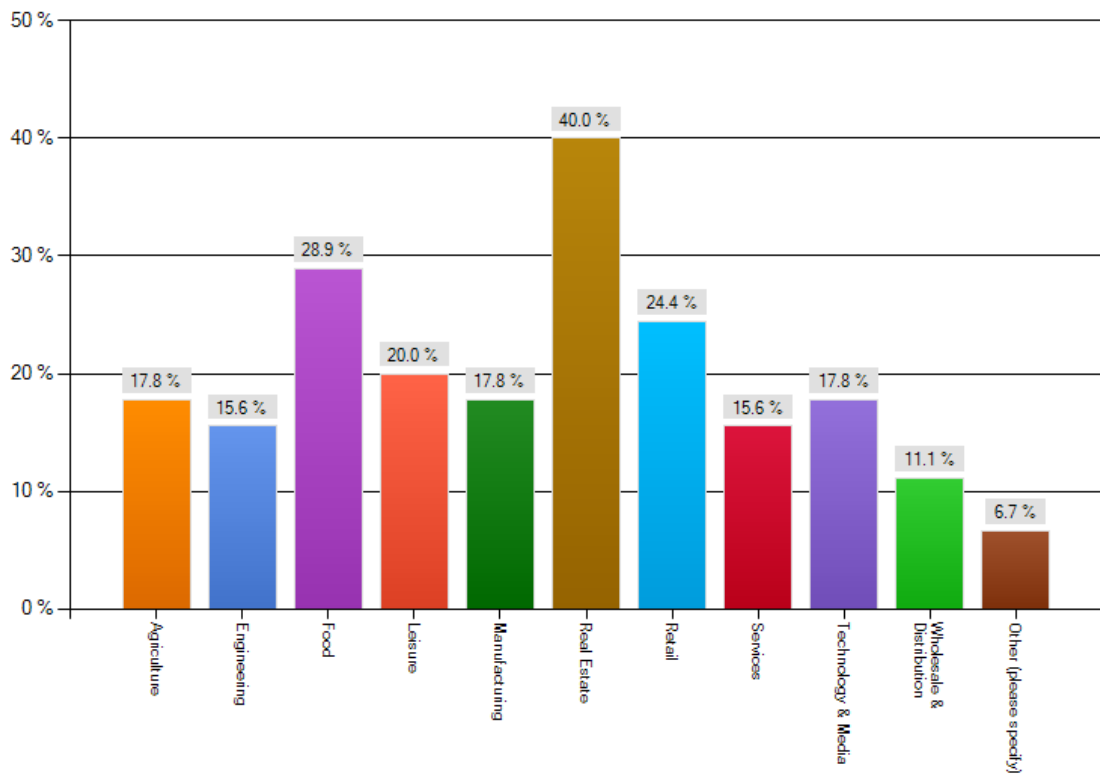


This graph suggests that while some brokers are finding there are more business listings in the marketplace than this time last year, others are experiencing the exact opposite. 44% of respondents said more business owners were looking to sell their businesses, 32% of brokers said there were less listings available.

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

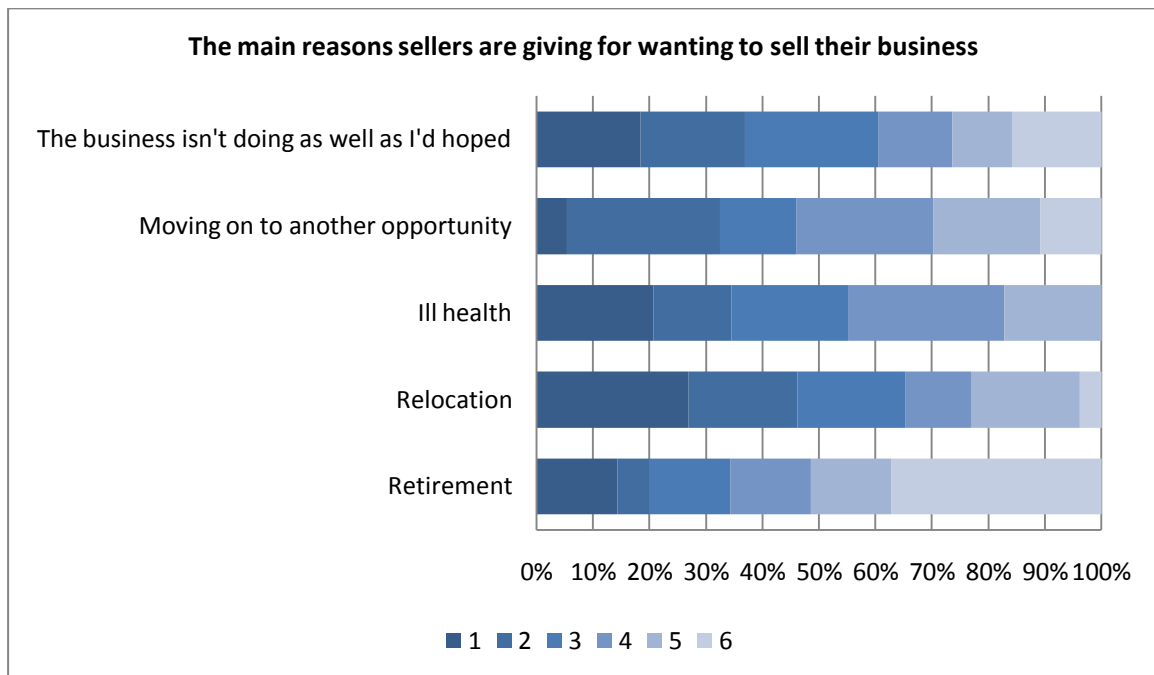


**Within which industry have been you seeing decreases in sales over the last 12 months**





It is hard to pick one industry that has seen increases in businesses for sale on a global sale. Respondents also specified the hospitality and healthcare industries as having seen an increase in activity. 40% of brokers said they had seen a drop in businesses with real estate.



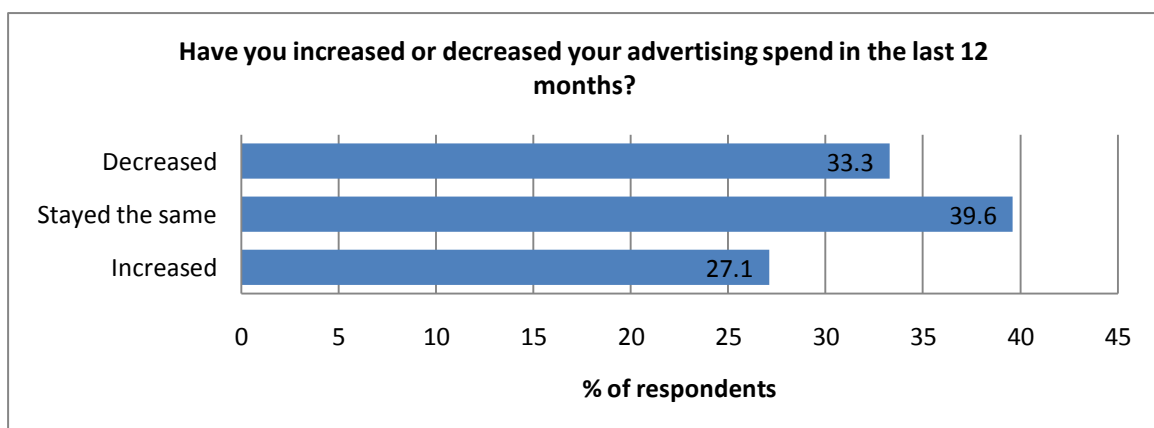
The chart above shows the main reasons sellers are giving for wanting to sell their business.

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.

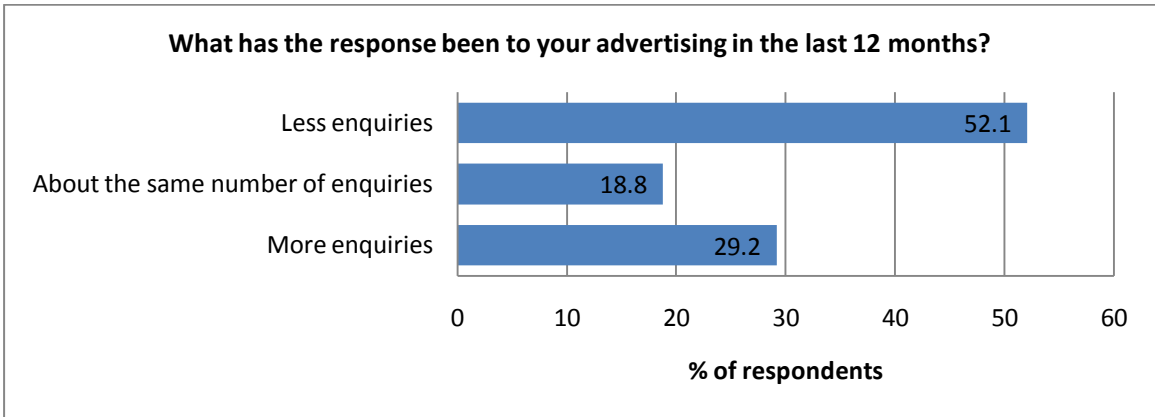
“Retirement” is the number one reason sellers look to sell, with “the business isn’t doing as well as I’d hoped” and “moving on to another opportunity” being the next most popular reasons.

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

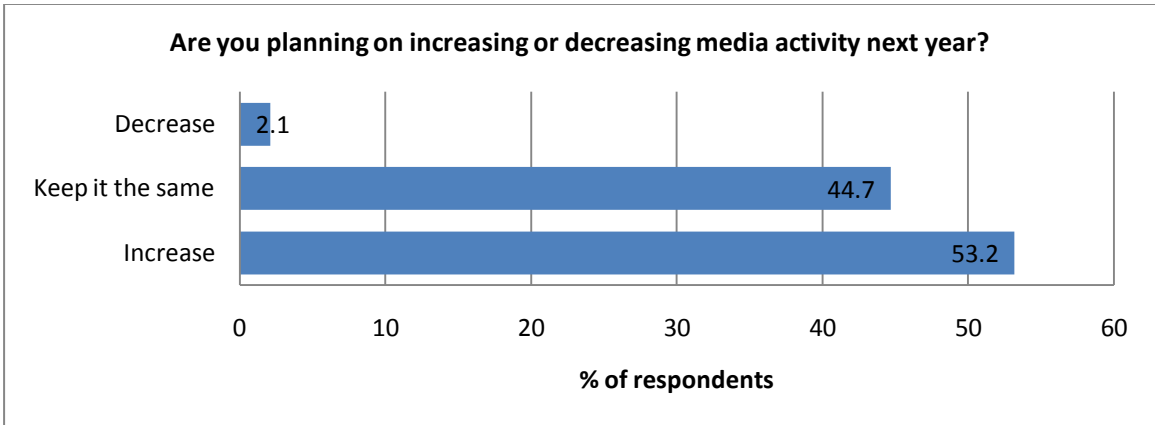
### Advertising



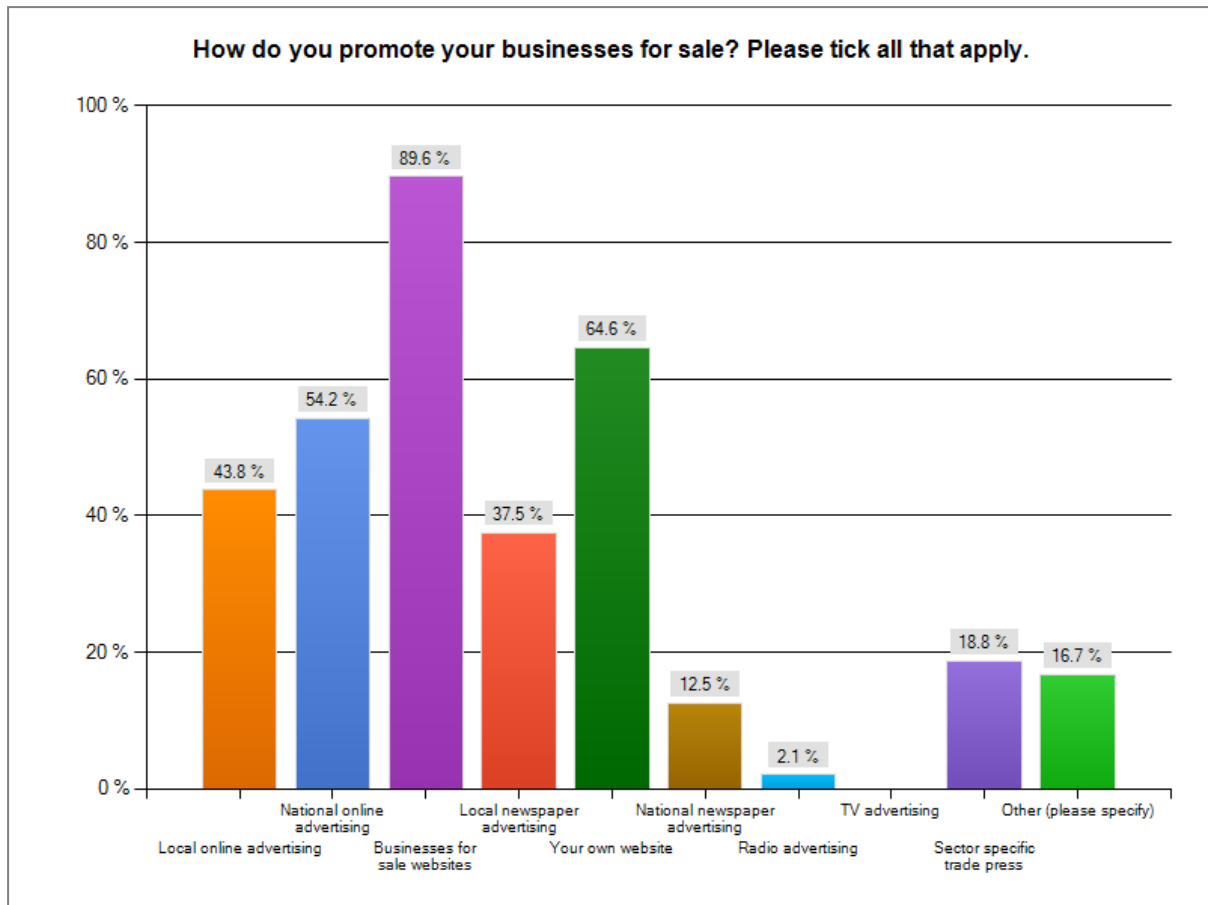
Brokers have feeling the pinch of the recession – 33.3% say they have reduced their media activity this year and 39.6% have kept their budgets the same.



52.1% of brokers revealed they have seen a drop in enquiries and it could be argued that, in addition to there being less buyers acting in the marketplace, the drop in advertising correlates with the fact that they have placed less advertising.



Over half of respondents said they were looking to increase their advertising spend next year mainly because of the need to generate more enquiries. There still appears to be hesitancy in the marketplace, as 44.7% say they will keep spend the same, worried as to whether the market really will pick up as is predicted.



This shows that 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. Unlike their counterparts in the UK and US, RoW brokers also use more traditional media to promote business listings – almost 90% use local newspapers.

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

## **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 – such as the EPC.

### **Challenges facing business brokers, intermediaries and transfer agents today:**

The overwhelming response to this question was the challenge for buyers to find finance for a business purchase.

Additional challenges that cropped up:

- Buyers thinking they can pick up cheap businesses

- Lack of understanding of the role of a business broker
- Competing with real estate agents who don't know who to sell a business
- Confidence in economy/economic downturn
- Lack of understanding of the marketplace
- Lack of preparation by sellers
- People who are not business brokers professionals that try to work as a business brokers. They damage the image of the industry
- Satisfying sellers' requirements
- Shrinking market
- Smoking ban and tax increase in Spain which will affect the businesses we are mostly involved in: food, leisure, entertainment
- Exchange rates
- The prospective buyer is unwilling to spend any money for surveying or inspecting the business and expect all the information from the broker free of cost.
- Too many online services. Sellers believe the internet is magical, they advertise and believe that is there business will sell. While the internet is important, face to face is still the best method
- Lack of serious buyers

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

Again the challenge of finding finance for business purchases is a worry that brokers are facing. In addition, the following comments were made:

- Our ability to provide "added value" services
- The number of available quality listings
- Consolidation of industries
- Educating buyers and sellers on the process of buying and selling businesses
- Education of the general public with regards to the details and benefits of business brokerage
- Generating realistic agreements
- Being able to keep our margins with increasing charges
- Lack of available finance and tourism in Spain
- Competition from accountancy and legal firms
- Prehistoric practices
- Lower consumer income
- Volatile markets
- See the return of confidence in the economy to develop entrepreneurship
- Too much legislation
- Too many sellers and not enough qualified/motivated buyers

#### **Interesting quote**

"Fortunately India has not seen a serious economic downturn so the impact of the global slowdown is very slight."