

Please take a moment to review the valuable content in our newsletter.



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January 2017 - In This Issue:

**SMALL BUSINESSES VS. MIDDLE
MKT BUSINESSES**

WHAT DO YOU FEAR?

INDUSTRY KNOWLEDGE

WHAT IS MY BUSINESS WORTH

**WHAT DO YOU
FEAR?**

All of us fear something. It could be fear of flying, fear of having to speak in front of a group, fear of losing a spouse or family member or close friend. And it's OK.

One fear that perhaps we all have to some extent is FEAR OF CHANGE. Business owners and managers often are reluctant to change the way we do things, reluctant to change how we make and sell our products or deliver our services, reluctant to change pricing, reluctant to change vendors. Is it fear? Most of us would not acknowledge we fear anything, much less change. We justify that we don't need to change because things are OK the way they are, or that change can be harmful.

There are reasons to change - in some cases, to survive, and in a lot more, to be better. Do we accept that change can be good? **We always need to consider, not automatically change, how we do things.** It starts with having an open mind - to consider that there is always another way, certainly not always better, but

**SMALL BUSINESSES VERSUS MIDDLE
MARKET BUSINESSES**

Small businesses (those valued below \$3,000,000) are typically acquired by individual buyers. Middle market businesses (those valued above \$5,000,000) are usually acquired by larger businesses or private equity groups (PEGs).

Companies valued between \$3,000,000 and \$5,000,000 might possibly be acquired by wealthy individual buyers, but also might be able to be sold to a larger business or a PEG.

**Reasons larger businesses acquire
smaller businesses**

Larger businesses acquire smaller businesses for strategic or synergistic reasons such as:

- Acquiring a business to expand into additional geographic markets
- Acquiring new product lines to sell to an existing customer base
- Acquiring new customers to sell existing complementary products
- Acquiring new technologies
- Acquiring a business to increase revenues while also achieving operational efficiencies through cost-cutting opportunities such as eliminating duplication's in staff
- Acquiring a business to eliminate competition

About private equity groups (PEGs)

PEGs are generally funded by wealthy individuals and institutional investors who are looking for a high return (20- 30% or more) on their invested capital. To maximize their return on investment (ROI), PEGs will use a combination of debt and equity financing to acquire a business and their decisions are mostly driven strictly by analysis of their ROI. As a result, PEGs will not typically be able to pay as much for an acquisition as a strategic/synergistic larger business. However, sometimes the identified pool of potential strategic/synergistic businesses may not be interested in the target acquisition. Since very few individual buyers can afford a middle market acquisition, PEGs are usually the best alternative. In addition, PEGs may have a portfolio of

worth analyzing thoroughly, and considering. The world around us changes all the time, and in a lot of ways significantly. If we fear and won't change, we won't be open minded and will most likely miss opportunities to improve our businesses.

Change is hard - but necessary. Examine how you answer questions, how you look at new ideas. Be open, analyze with no bias or preconceived notions, and your business will most likely perform better.

INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE

Our presence as a Professional Business Broker is extended nationally as a result of being an affiliate of [BHarmony, LLC](#).



We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.

We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing. [Learn More](#)

WHAT IS MY BUSINESS WORTH

it will cost you absolutely nothing and there is no obligation in giving us a call or an [email](#) to request a simple valuation of your business. Relying on a

previously acquired businesses that could benefit strategically or synergistically from an acquisition.

\$1,000,000 or more in EBITDA typically needed to attract larger businesses or PEGs

Unless a company has a minimum of \$1,000,000 in EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), it is unlikely to be acquired by a larger business or a PEG. For most readers of this newsletter, your business is likely to be acquired by an individual buyer.

A word of caution regarding selling to competitors

Despite the perceptions of some business owners, it is not a good idea to ask competitors if they are interested in buying your business. In most instances, the competitor will feign interest to learn more about your business, and then use that knowledge to try to drive you out of business.

Smaller businesses have an offering price and interact with buyers sequentially

Smaller businesses typically go to market with a defined asking price, and the broker and owner interact with prospective buyers sequentially as they express interest in learning more about the business. Unless offers are received at the same time, they are typically evaluated sequentially and independently until an acceptable agreement is negotiated with an individual buyer.

Differences in the sale/marketing processes for middle market businesses

Middle market intermediaries initiate contact with numerous larger businesses and PEGs without establishing an asking price, attempting to generate simultaneous interest to create an auction environment.

professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

Next Issue

NINE WAYS TO LEAVE YOUR BUSINESS

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