



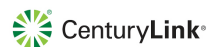
# CONSIDERATIONS FOR BUYING A BUSINESS



# Pikes Peak Small Business Development Center

FREE CONSULTING | PRACTICAL TRAINING | BUSINESS RESOURCES

[www.pikespeaksbdc.org](http://www.pikespeaksbdc.org)



Funded in part through a cooperative agreement with the U.S. Small Business Administration



## **Rob Amerine**

**Certified Business Intermediary,  
The FBB Group, Ltd.**

### **Consulting Expertise Includes:**

- Buying and Selling  
Businesses
- Business Valuation
- Certified Business  
Intermediary
- Business Development
- Systems & Programming

**[Schedule Consulting](#)**

# OVERVIEW

- Introduction
- Where to Look
- Evaluating a Business
- Business Valuation
- Today's Market



# INTRODUCTION

- The FBB Group (formerly First Business Brokers)
  - Established in 1982
  - Ron Chernak, Founder and Owner
  - Over 1000 completed transactions across 15+ states
  - Over 2500 active buyers/private equity groups
  - 5 intermediaries/3 office staff
  - Active Members of IBBA and CABI



Knowledge. Experience. Results.

# ROB AMERINE – CERTIFIED BUSINESS INTERMIDARY (CBI)

- 6+ years with The FBB Group
- Colorado Springs native
- Engineering/technology background
- Purchased first business in 2004 using a business broker
- Built software/services company to 25+ employees
- Worked with hundreds of small business owners
- We have 4 great kids (1 yr – 16 yrs!)



Knowledge. Experience. Results.



# What Is A Business Really Worth?



*Forty billion is a generous offer for our company, but we'd feel a lot better about it, if you didn't plan on financing it by putting it on your Visa.*

# WHERE TO LOOK

- Current company (many owners would like to sell to an employee)
- Online (BizBuySell.com, BusinessesForSale.com, CraigsList?)
- Setup custom search criteria/alerts
- Compare different types of businesses
- Be ready to sign confidentiality and provide personal financials
- Be patient

**Over 10,000 small businesses changed ownership per year.....  
yet on average only **1 in 10** businesses on the market will sell....  
which equates to 100,000+ businesses trying to sell each year!**



**The FBB Group, Ltd.®**

*Formerly First Business Brokers, Ltd.®*



# EVALUATING A BUSINESS

- Look for professional write-ups
- Look for good financial numbers (avoid profiles missing too much)
- Be ready for some give/take (avoid sellers who give too much too early)
- Talk with a lender/banker on what you can afford
- Value the business based on tax returns (profit/loss for detail)
- Consider consulting a business intermediary/broker
- Be ready to hire an experienced attorney/accountant



*Some you should just avoid....*

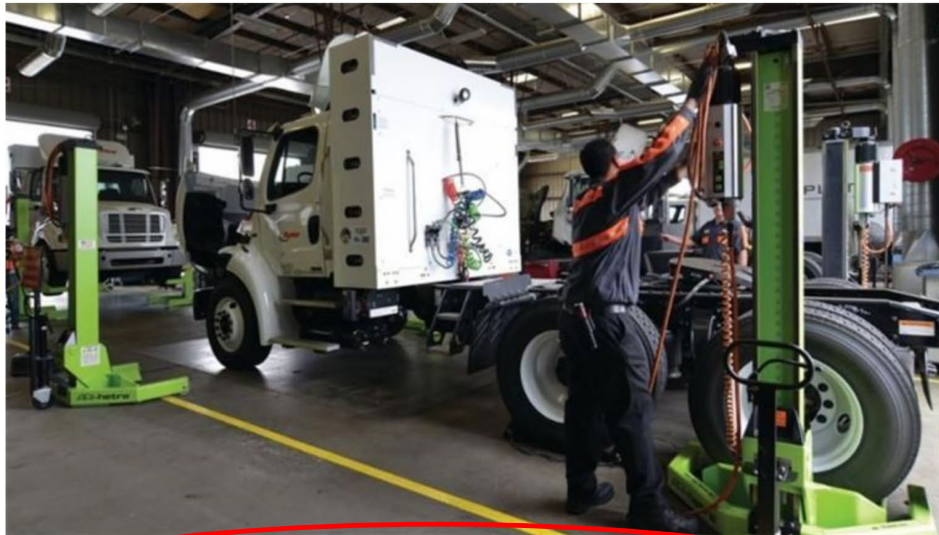


**RECENT CLOSING: Local Couple Purchase Retail Storefront for Online Antiques Business**

A good example....

## Commercial Vehicle Maintenance and Repair, SBA Prequalified

El Paso County, CO



**Asking Price:** **\$1,480,000** ⓘ      **Cash Flow:** **\$445,781** ⓘ

Gross Revenue:	\$2,125,338 ⓘ	Inventory:	\$245,000 ⓘ
EBITDA:	N/A ⓘ	Real Estate:	\$645,000*
FF&E:	\$153,000 ⓘ	Established:	1984

\*not included in asking price.

Save

Print

Share

Valuation Report

### Business Description

This well-established vehicle repair business specializes in class 6, 7, and 8 truck products and repairs for commercial accounts, as well as the general public. With several large bays, the company can easily accommodate very large vehicles, such as trash, fire, and cement trucks. The company is well known for providing the best full-service truck parts and repairs to Southern Colorado. The customer base is well diversified to include municipalities, local and

### Contact the Seller

Full Name

Your Phone

Your Email

Optional message to seller

- Yes, send me the Buyer Newsletter for popular businesses, tips, & email promotions.
- Contact me about using my IRA/401K to buy a business tax deferred, penalty free - Benetrends

Contact Seller

By clicking the button, you agree to BizBuySell's [Terms of Use and Privacy Policy](#)



Business Listed By:  
**Rob Amerine**  
The FBB Group, Ltd.

Show Phone Number

[View My Listings](#)

Sponsoring Broker:  
Ron Chernak



# BUSINESS VALUATION

- 3 Main Areas
  - Fair Market Value (FMV) of Tangible Assets
    - Equipment/Inventory
    - Office/Real Estate
    - Website/Intellectual Property/Franchise
    - Accounts Receivable?
  - Cash Flow/Adjusted Profit
    - Seller Discretionary Earnings (SDE) – *includes owner's salary*
    - Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)  
*(does not include owners salary)*
  - Market “rules of thumb”/buyer demand
    - Industry/strategic buyers
    - Industry Trends (i.e. Amazon's take over of the consumer retail industry)



# ADJUSTED PROFIT/SDE EXAMPLE

	2013	2014	2015
<b>Gross Sales<sup>1</sup></b>	\$ 4,018,350	\$ 3,947,724	\$ 3,206,589
Less: Cost of Goods Sold	3,243,630	3,215,184	2,603,275
<b>Gross Profit</b>	774,720	732,540	603,314
<i>Gross Profit as % of Gross Receipts or Sales</i>	19.3%	18.6%	18.8%
<b>Net Profit from Tax Return</b>	\$ 166,330	\$ 177,843	\$ 192,425
<b>Positive Adjustments</b>			
Depreciation at 75%	-	359	-
Seller's Discretionary Expenses <sup>2</sup>	5,687	5,859	5,582
<b>Total Positive Adjustments</b>	\$ 5,687	\$ 6,217	\$ 5,582
<b>Seller's Discretionary Earnings</b>	\$ 172,017	\$ 184,060	\$ 198,007

<sup>1</sup>Owner purposefully scaled back online advertising in 2015 and 2016 to decrease employee overhead and keep margins high

<sup>2</sup>Includes owner's personal/family cell phones and auto related expenses



**The FBB Group, Ltd.<sup>®</sup>**

Formerly First Business Brokers, Ltd.<sup>®</sup>

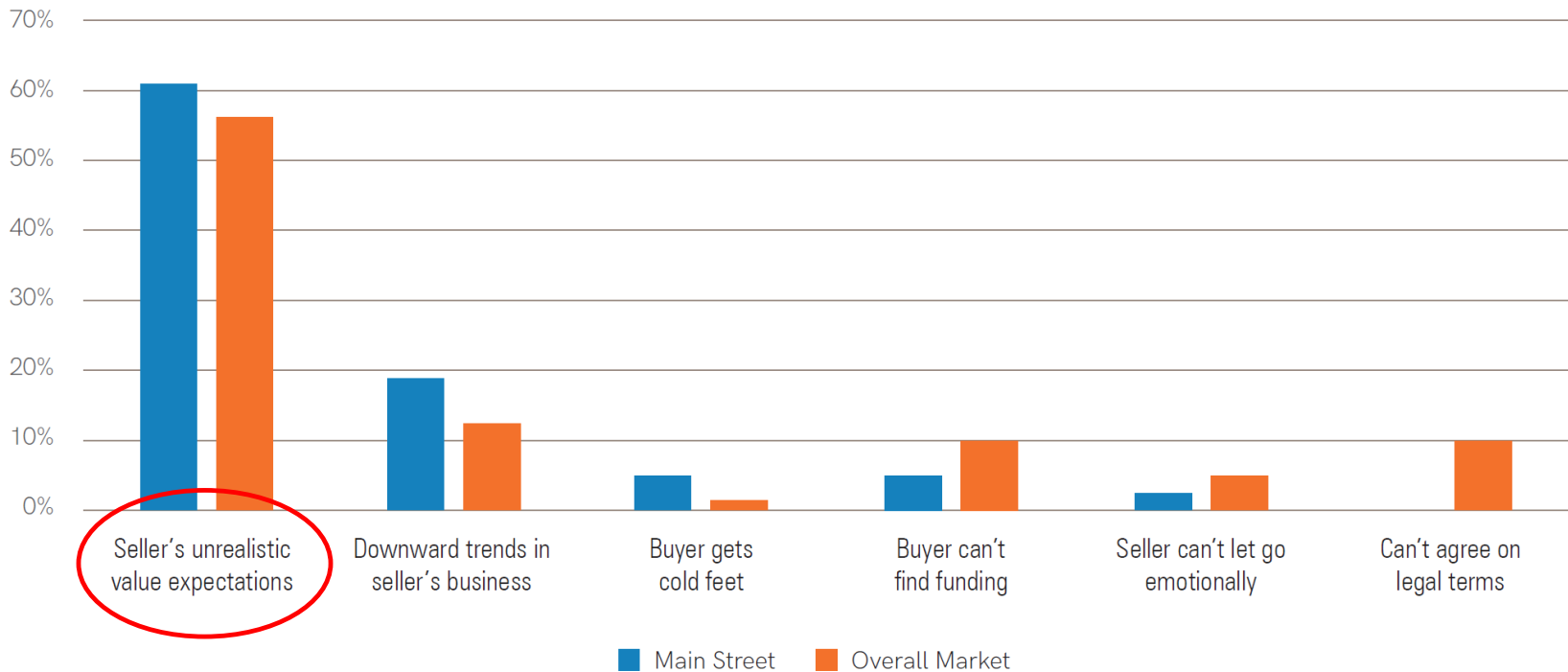


# TODAY'S MARKET - SEGMENTS

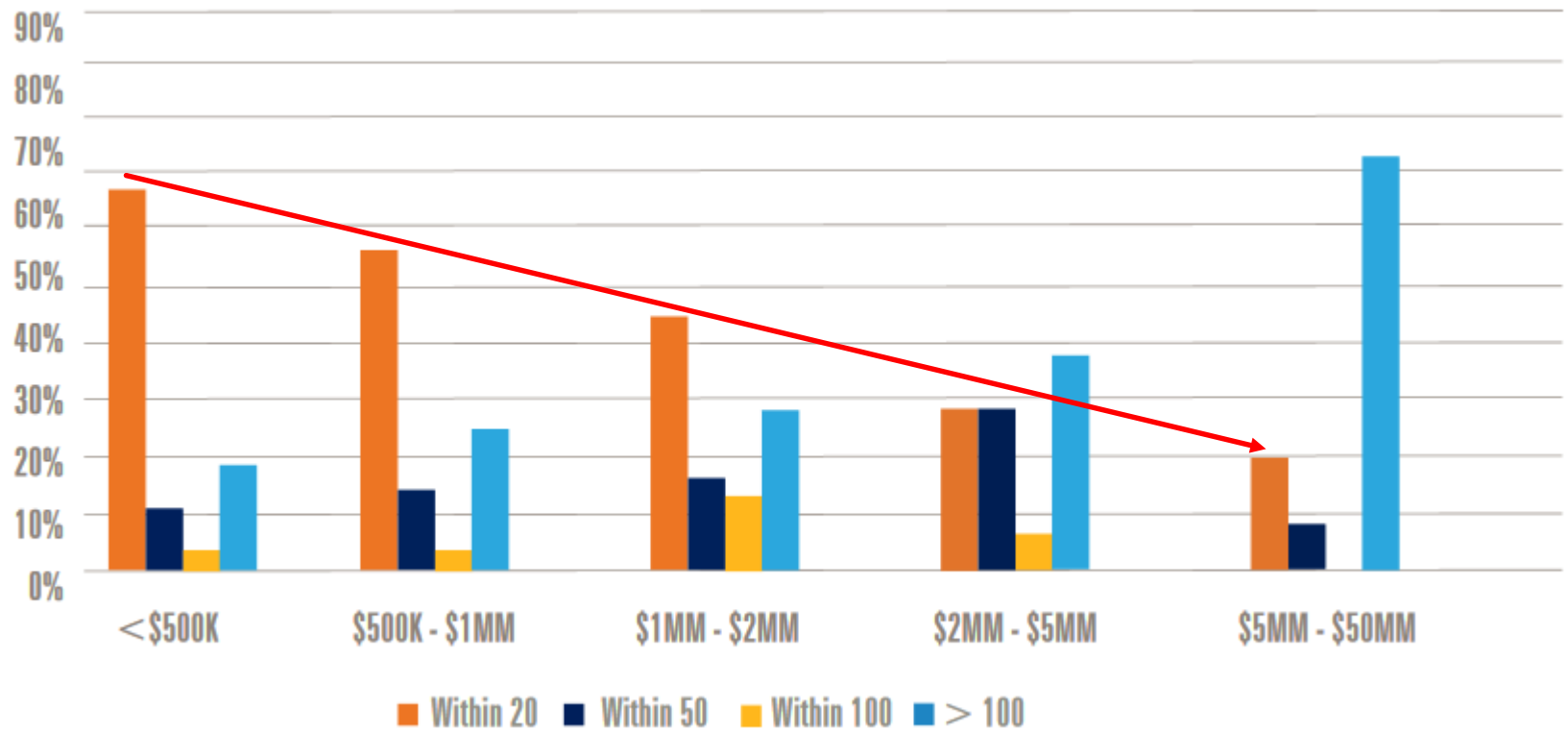
## ■ Sale Price Segments

MAIN STREET	LOWER MIDDLE MARKET
Less than \$500K	\$2MM - \$5MM
\$500K - \$1MM	\$5MM - \$50MM
\$1MM - \$2MM	

# REASONS WHY DON'T BUSINESSES SELL



# BUYER LOCATIONS



# TODAY'S MARKET - MULTIPLES

## ■ Average SDE/EBITDA Multiples

<\$500K is stagnant at 2x

	2019 Q3	2018 Q3	2017 Q3	2016 Q3	2015 Q3	2014 Q3
Median Multiple Paid (SDE)						
<\$500K	2.0	2.0	2.0	2.3	2.0	2.0
\$500K - \$1MM	2.8	2.8	2.5	3.0	2.5	2.5
\$1MM - \$2MM	3.3	3.3	3.1	3.3	2.8	3.3
Median Multiple Paid (EBITDA)						
\$2MM - \$5MM	4.4	4.0	4.5	4.5	4.0	4.0
\$5MM - \$50MM	6	5.4	5	5.8	5.3	5.1

>\$500K+ multiples continue to increase



**The FBB Group, Ltd.**  
Formerly First Business Brokers, Ltd.®

# TODAY'S MARKET: TIME TO CLOSE

	Q3 2018		Q3 2019	
	Months to Close	Months from LOI to Close	Months to Close	Months from LOI to Close
<\$500K	7	2	6	2
\$500K-\$1MM	8	3	8	3
\$1MM-\$2MM	9	3	9	4
\$2MM-\$5MM	9	3	8	4
\$5MM-\$50MM	10	3	10	4

**Larger deals take longer to close...  
but once under LOI the process is just 2-4 months**



**The FBB Group, Ltd.®**  
Formerly First Business Brokers, Ltd.®



# AFFILIATIONS/CREDITS

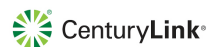




# Pikes Peak Small Business Development Center

FREE CONSULTING | PRACTICAL TRAINING | BUSINESS RESOURCES

[www.pikespeaksbdc.org](http://www.pikespeaksbdc.org)



Funded in part through a cooperative agreement with the U.S. Small Business Administration