



Ignite Business Coaching Whitepaper

It's Time to Buy a Business

When tough economic times hit, going shopping is not high on our list of activities. The newspapers and business journals are filled with topics that make us cringe. Tight lines of credit, stock market uncertainty, interest rate fears and currency volatility are just a few of the financial variables that make us freeze in our tracks. How would you feel about taking a contrarian view? I haven't met many people who have made money chasing stocks, but those who have the courage to buy when others are selling often do very well.

With business valuations being down, savvy businesses with some cash are finding it a great time to buy. It's a buyer's market for businesses. Why? Cash strapped business owners are finding it increasingly difficult to manage working capital because banks have severely limited credit lines or completely reduced them. Many young companies find themselves in a pinch. They have introduced a product or service and have consumed their initial and early stage funding. Their track record may be good, but it just isn't long enough to obtain additional funding. They need someone with deeper pockets to "bankroll" them through tough times.

In years past, businesses looked for synergy with existing businesses they owned. Those days seem to be gone. Today, buyers just say "tell me your revenues and what I can expect to put in the bank at the end of the month." Other buyers are looking for acquisitions that can save their existing business money. An example could be the purchase of a key supplier. Businesses are looking for acquisitions where they can add value to a struggling company by sharing management, technical or marketing expertise.

Smart business buyers today really focus on efficiency and technology. From an efficiency perspective, look for companies who do more with less and offer a great value to the customer. "Less" may apply to staff, capital expenditures and significant technology investments. To the medium to high risk-averse buyer, these are green flags. An example of a market with buying opportunities is healthcare information technology. These are innovative businesses offering solutions that make patient records, billing and clinical trial management more efficient. With healthcare becoming a larger piece of GDP, niche players are gravitating to these areas and creating opportunities for themselves and buyers looking for a winner.

To consummate a deal, buyers and owners are getting together to develop some creative options, and buyers are getting sellers to take on more of the risk. Earn-outs are becoming more and more accepted. In this situation, key members of the seller's team stay with the business for an agreed upon length of time. A portion of the deal price is deferred and later paid out based on future revenue or profit. This arrangement can ultimately provide a higher payout for the seller and mitigates execution risk to the buyer.

There are opportunities in the market. It will take some research, and once you find the right situation, you need to employ the three c's - cash, creativity and calm. Keep in mind that the seller knows he or she has limited options, as the multiples across many industries are severely depressed. By acting now, I'm not saying you are going to pay the lowest price, but you shouldn't be paying a premium either.

About Ignite Business Coaching

Ignite Business Coaching provides leadership development coaching and business consulting services. Coaching clients include financial professionals and teams looking to improve their competitive advantage to provide more value to clients and employees while achieving personal goals. Consulting clients engage Ignite to develop strategic plans, analyze business models, and design or optimize business processes.



Ignite Business Coaching
2901 Richmond Road
Suite 130-335
Lexington, KY 40509
Tel: 859-420-5950
Fax: 888-381-8657
www.BusinessIgnite.com