

# **Sales of Privately Owned Businesses in Florida**

**Low Tide for Small Businesses – High Tide for Large Firms**

*“It’s a Good Time to Make a Decision”*

**July, 2008**



# Certified Acquisition Associates LLC

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## Forward

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This document is an overview of broad, state-wide, Florida data. Generally speaking:

- Trends in metropolitan areas – such as Miami, Tampa Bay, Jacksonville or Orlando – generally mirror activity in Florida statewide.
- Firms in some industries are more valuable than others and sell more quickly.

Specific information on metro areas or industries can be made available upon request.

Please note that Certified Acquisitions does not serve the market of lower priced businesses, i.e. under \$1 million in sales price.

Certified Acquisitions' focus is firms selling (market/transaction value) from \$2 to \$20 million. Information on the market that Certified Acquisitions serves is provided on a confidential, consultative basis.

Certified Acquisitions prepares reports, such as this one, because market perceptions are driven by information and misinformation about the sale of lower-priced firms.

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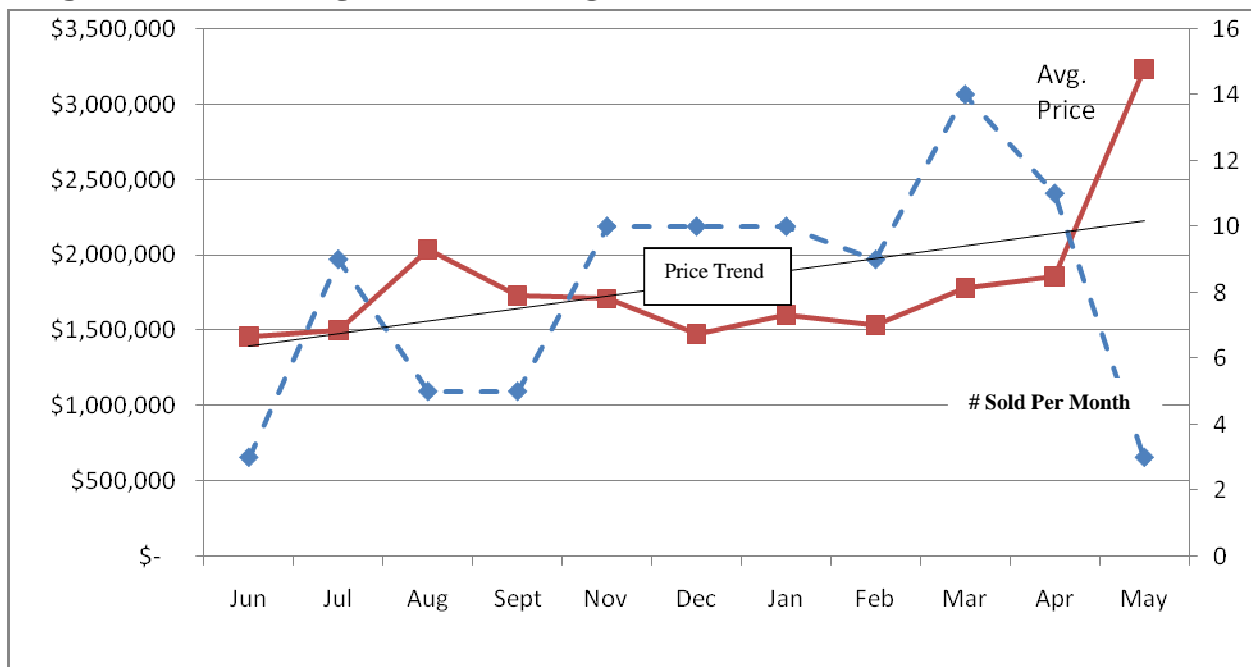
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## Executive Summary

The saying “a rising tide raises all ships” is not true for privately owned businesses sold in Florida in the past year. New data shows that it is “high tide” for large firms and “low tide” for small firms.

A study of businesses sold in Florida, by Certified Acquisitions, shows that the price of larger firms sold, priced at \$1 million or more, is rising as illustrated by this chart:

### ***Large Firms - Average Price, Average Number Sold Per Month***



Analysis of data:

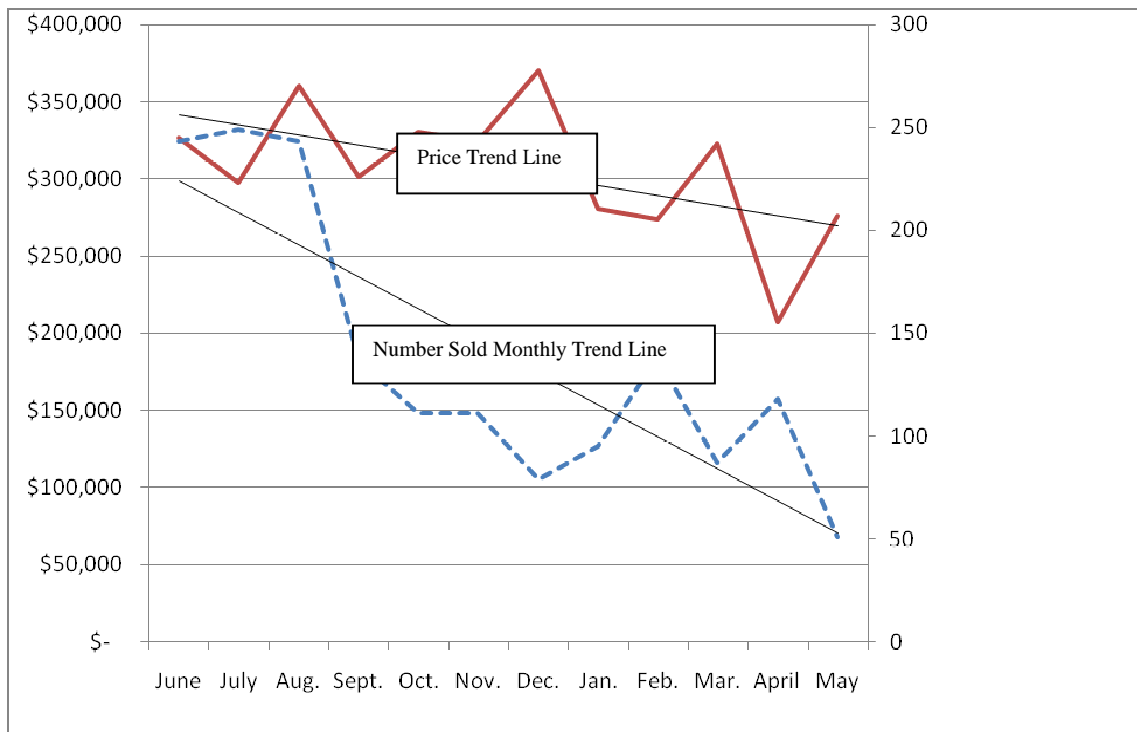
- Average price rose to \$3.25 million from \$1.5 million a year ago.
- The number sold per month is currently low, reflecting typical summer seasonality. A sharp uptick is expected in the fall.

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However, the sale of smaller firms is falling precipitously as shown in this chart:

***Small Firm – Average Price, Average Number Sold Per Month***



Analysis of the data:

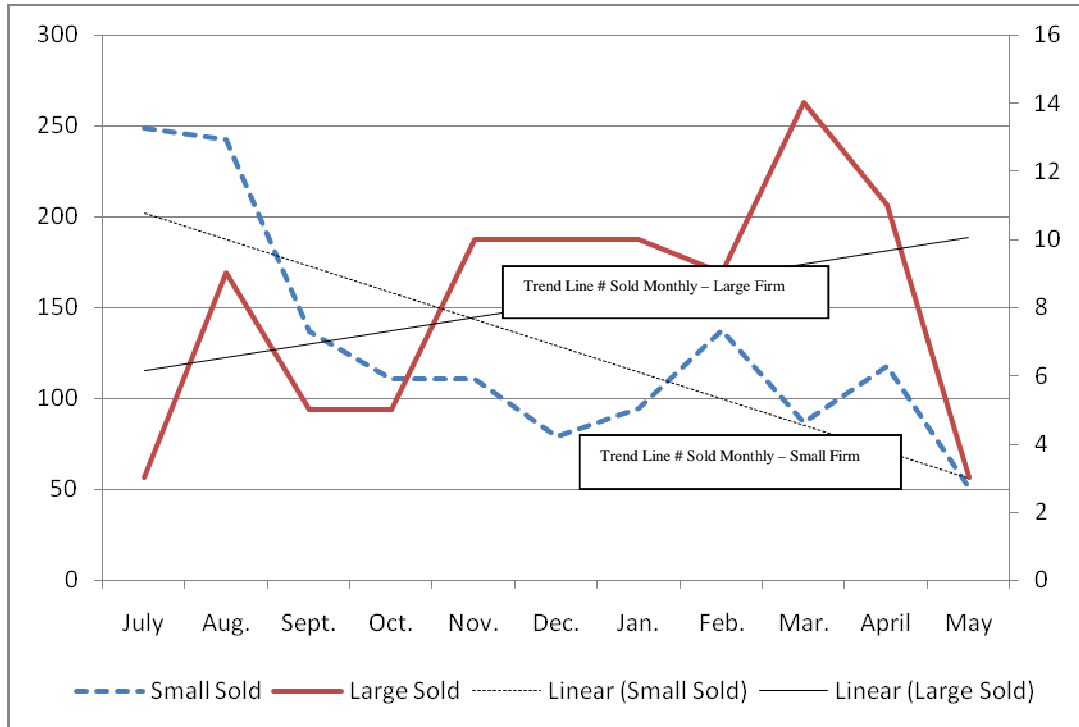
- Average price dropped to \$275,000 from \$340,000 a year ago.
- The number sold per month dropped to 50 a month from 225 per month a year ago.

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This chart provides a summary of the trend lines for large firms compared to small firms.

***Large Firms Sold Monthly Compared to Number of Small Firms Sold***



- The trend line of the number of large firms sold monthly is rising.
- The trend line of the number of small firms sold monthly is falling

## ***Absorption Rate***

There are more than 4,600 firms, of all sizes, for sale in Florida.

At current rates, it will take more than 7 years for the current inventory to be sold assuming no additional firms come on the market during this period.

This compares to last year's absorption rate of taking about 4 years to sell the inventory of businesses for sale.

## **Suggestions for Business Owners**

### ***"A Good Time for a Decision"***

Certified Acquisitions advises clients that "this is a good time to make a decision."

Certified Acquisitions meets privately with the owners of more than 200 businesses a year. Pervasively, business owners now are postponing decisions. Most are waiting for a clear signal that economic conditions will get better or will get worse. As a result, businesses are stalled or declining due to lack of initiatives.

Decisions "not made" include expanding or contracting, adding or eliminating products or services, or adding or withdrawing from sales/service territories and a number of related decisions about personnel.

Certified Acquisitions' experience is that firms that act decisively now will do the best later regardless of economic trends in coming year.

Certified Acquisitions further observes that a few firms are "seeing through" current conditions. They are establishing programs and structures for 2010 and 2011.

## ***“How to be in the 20% of Firms that are Sold”***

Certified Acquisitions’ experience is that fewer than 20% of businesses for sale in Florida will be sold – at any price.

Certified Acquisitions prefers to work with businesses for up to three years prior to a sale. This ensures that the business is properly positioned to achieve the best price upon sale of the company.

Firms that are sold have these attributes:

- Good books and records, including three years of tax returns. (Note that less than 25% of businesses for sale in Florida show tax returns to buyers.)
- A business plan documenting realistic growth strategies.
- A diverse customer base and reliable data on customers.
- A stable and motivated management team, indicated by the ability of the owner to be absent from day-to-day sales and operations.
- An owner who works “on the business” rather than “in the business.”
- Documented financial controls and documented policies and procedures.
- A documented exit plan for the owner.

## **Conclusion**

Larger firms are more stable and better prepared to work through adverse economic conditions. As a result, the price of these firms is rising as is the number of firms sold. The pool of buyers for large firms is robust because buyers can see and value the future of the business.

Small firms, often, are owner operated. This means buyers “buy a job” rather than buy a business. As a result, the pool of buyers - who can replicate the current owner’s work activities – is smaller, resulting in a low number of sales and declining prices.

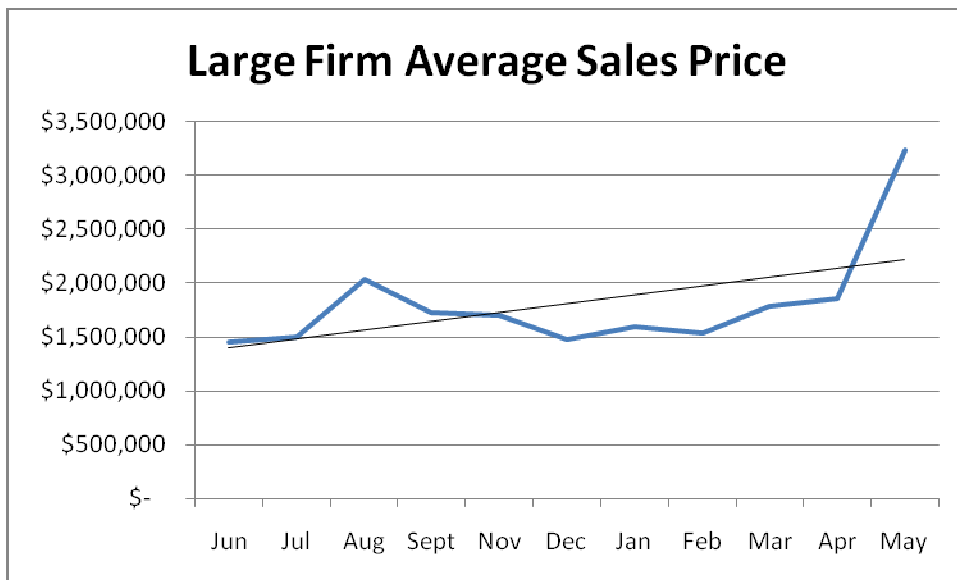
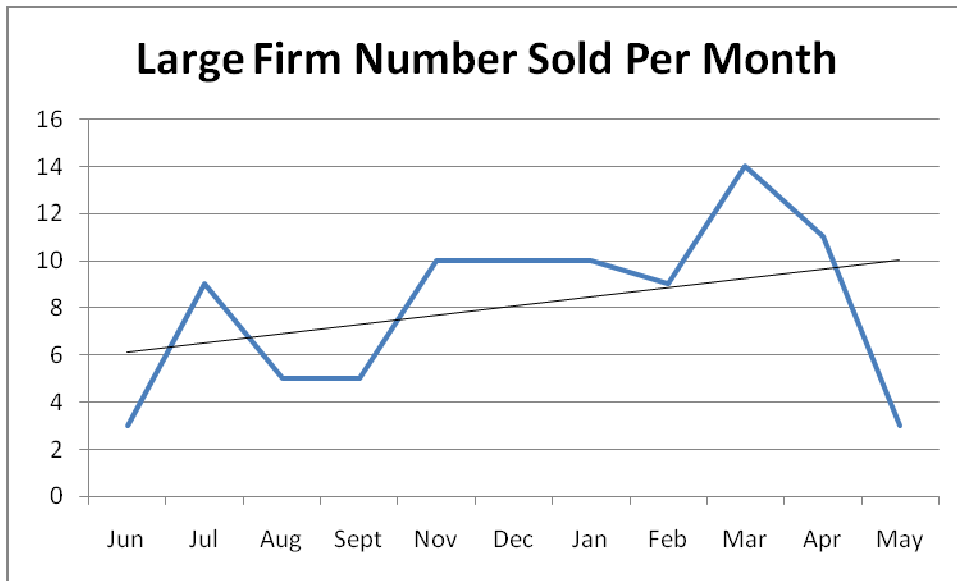


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## Attachment I – Simplified Charts

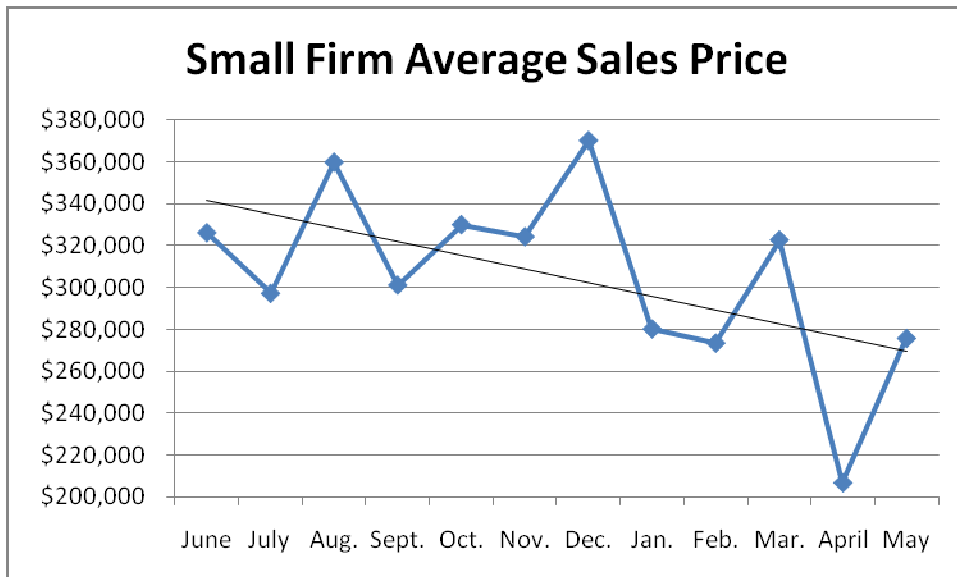
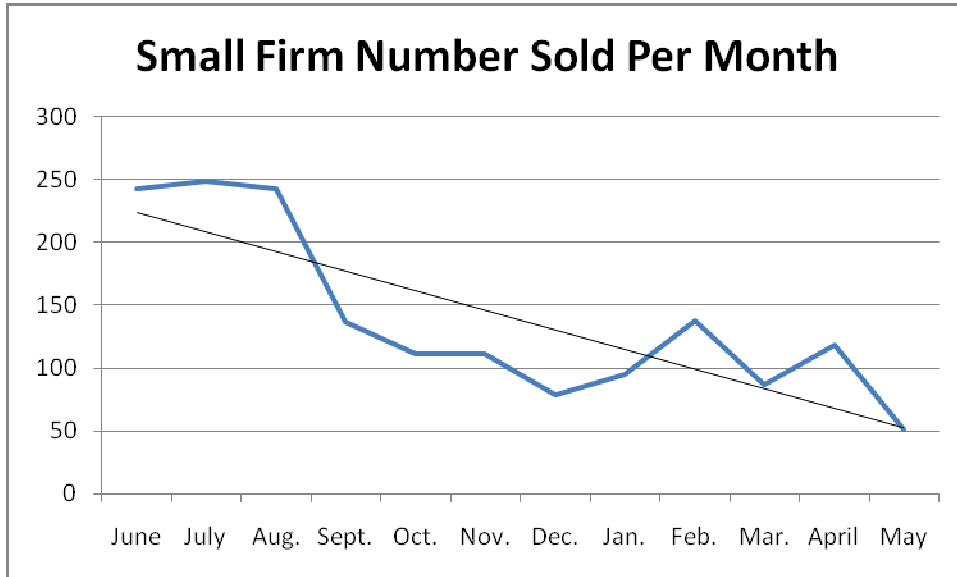
### *Large Firm*



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***Small Firm***



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## Attachment II – About Certified Acquisitions

Certified Acquisitions is a mergers and acquisitions firm based in Tampa, FL. The firm operates in the “middle market” of businesses with a market value (selling price) from \$2 to \$20 million. The firm accepts a limited number of engagements each year, allowing principals to personally service each client.

Certified Acquisitions works, largely, on the “sellers’ side” of transactions, representing business owners who seek the best possible transition of their firm to new owners or investors. This service includes establishing a market value for the firm and a review of options including passing the business to the second or third generation of family owners, ESOPs, management buyouts, roll-ups, and retirement. When desired, the transition can include the owner and the management team staying in place after the sale or investment.

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