

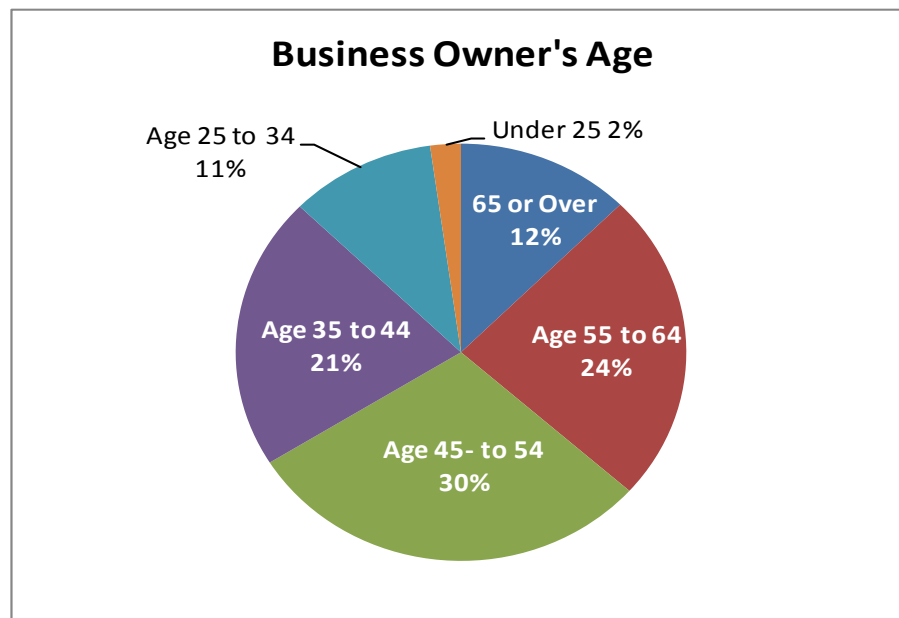
The Age Wave

There is a significant suppressed demand by owner's to sell their businesses.

Within the next 15 years, 90 million people in the United States and Canada will be retiring. These are the “baby boomers”, the generation born between 1946 and 1964. Economist and demographic expert Robert Avery, at Cornell University, predicts baby boomers will transfer \$10 trillion to later generations.

As Peter Christman and Richard Jackim point out in their book, *The 10 Trillion Dollar Opportunity*, a vast majority of this wealth is held as stock in more than 12 million privately owned businesses. More than 70 percent of these companies are expected to change hands in the next 10-15 years.

The recent Survey of Business Owners conducted as part of the 2007 Economic Census can attest to this. In its survey, over 66% of the small business owners are over the age of 45. More than one-third (36.5 percent) of owners of respondent firms were 55 or older, with 24.1 percent between the ages of 55 and 64 and 12.5 percent over the age of 65. Approximately 29.6 percent of owners were between the ages of 45 and 54.



Source: U.S. Census Data 2007 / Aspire Management Inc.

What does this mean to you as a private business owner?

Expect a buyer's market. Remember the old rule of supply and demand you learned in Economics class? There will be an unprecedented supply of businesses coming to market that will greatly exceed demand to buy them. The result will be a buyer's market: lower multiples, lower sell prices.

The Perfect Storm is on the horizon

As our economy comes back we predict we will see a flood of buy-sell activity. Remember that there is significant pent up demand on the buy side right now (April 2012) as well. A Q3 2011 PitchBook report indicated there was \$436 billion of private equity overhang which means in lay person terms, non-invested PE funds. Investors are looking to invest in strong businesses and lately, let's face it, there haven't been a lot them around.

At the same, in the last few years, owners who may have wanted to sell decided the timing was not right with business performance and multiples down.

What advice are we giving to clients?

First, be ready! Sellers who that have prepared in advance will fare significantly better than their peers who have not. Second, be flexible. Although you may want to wait a few more years timing the market may be very beneficial to you. You may want to consider selling your business as soon as the market starts to move. We predict a flood of investment initially. After, we see the market moving to a 10 year or more buyers market. Third, remember this: a good business will sell at a premium in any market. Always keep your eye on what drives business value and you should fare better than most.

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