



Brokers see continuing rise in business sales, valuations

By Brad Carlson - *Idaho Business Review* - March 20, 2006

Business brokers expect more gains in unit sales and average valuations this year. Unit sales and valuations sagged for nearly two years following 9/11, then rebounded. Now, demographic and financial-market trends figure to fuel more growth, brokers said.

"It's probably the strongest period for business sales that I can recall," said Art Berry, principal in Arthur Berry & Co., in business since 1983. "It's being fueled by incoming population, and lack of opportunities for employment." Population gains exceed gains in high-quality jobs and in support businesses, so the business segment has room to grow, he said. "I'm extremely optimistic about small-business development here because it traditionally follows growth - and with our fast growth, we aren't keeping up in the capacity of support businesses."

Berry - whose company sold a record 80 businesses last year - said interest among buyers and sellers remains strong. High valuations reflect strong recent earnings, low interest rates and population gains that temper some of the risks of operating a business.

Trends include more purchases by private-equity groups seeking alternatives to stock markets, and changing demands from young buyers, he said.

"Younger buyers today are considerably savvy with the Internet and the use of technology to manage and market older companies," Berry said.

Laska Co. principal Bill Laska added staff in the past year to keep up with rising demand. He expects that he and his staff will stay very busy in the strong market.

"There is more demand, and more money available," he said.

The national attention Boise received in the past year for its business climate and quality of life fuels demand from buyers around the country, Laska said. "And we're getting calls from venture-capital companies," he said. "They want to look at deals here and want to place venture capital in Idaho."

The number of deals involving technology and communication business increased recently, Laska said. "We see a lot of small tech companies buying each other up, to grow through acquisition." People seeking to sell businesses often want to retire, or just tap recently high valuations, he said. He expects those valuations to remain high.

"Sellers are stepping up now in the bigger companies, making them available," Laska said. "They were hanging onto them a few years ago."

Meg Carlson heads C&H Group, a business-intermediary firm that works to make businesses sale-ready. Its target market is privately held companies in the Intermountain region that generate up to \$150 million in revenue. Her business remains very strong after picking up noticeably last fall, she said. "We saw a rapid acceleration in interest on both the buy side and the sell side, and among owners thinking about how to transfer ownership to the next generation."

This reflects a strengthening economy, continued availability of low-interest-rate financing, and an increase in the number of corporate executives in the area seeking to do something new, Carlson said. Baby Boomers show more interest in selling their businesses, she added. "Many are not going to stay at the helm of businesses until they're 75 years old, which is what the prior generation did."

The mid-market segment - in the Intermountain area, businesses with sales from \$2 million to \$200 million - tends to be more cyclical than the smaller "Main Street" or "lifestyle" business segments, and more sensitive to interest rates, Carlson said. Some lenders say the mid-market category starts at \$5 million, she noted.

Nationally this year, industry experts anticipate strong business-sale activity in technology, financial services, consumer products, health care and media entertainment, she said. She expects strong demand in the Boise area for technology businesses, financial and other professional services businesses, health care and manufacturing businesses."

"There is always strong interest in manufacturing companies because there are so few of those in our market," Carlson said.

Heidi Bogert Dornier worked as a business broker in Bozeman, Mont., until moving to Boise late last year and continuing in the business here. Both cities attract people who want to move in for lifestyle reasons, and buy a business, she said.

Buyers include people who lost corporate jobs - locally, or in another city before deciding to relocate - and "trailing spouses" of people who have good jobs, she said.

Service businesses and franchises remain popular in the small-business segment, Dornier said. Recently, business owners spend more time educating themselves about a prospective sale, she said. "That's important, because they are creating a better situation for themselves to transition out of the business."

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