

Looking to sell your business? Bob House of BizBuySell.com says don't rule it out because of the pandemic

PAYCHEX
Business
Series

Coronavirus



Gene Marks

CPA, Columnist, and Host



Bob House

President, BizBuySell.com
and BizQuest.com

Full transcript

Gene Marks:

Hey everyone, and welcome to the Paychex Business Series podcast. My name is Gene Marks. I'm a certified public accountant and regular business columnist for a bunch of publications that you probably know that like *The Guardian*, *The Hill*, *The Philadelphia Inquirer*, *Forbes*, and *Entrepreneur Magazine*. But more importantly, I'm a small business owner. My 10-person company provides financial and technology management services, and I'm always in need of expert advice. That includes real-life advice from real-life business owners like myself on how they're handling the challenges of running their small businesses. That's what this podcast is all about.

Sometimes we bring on people that are not actually business owners, although my guest today, Bob House, is a business owner. We bring in people that are experts in certain areas that are important to business owners like myself. Bob House is the president of BizBuySell.com and BizQuest.com, the internet's largest and most heavily trafficked business-for-sale marketplaces. I go to BizBuySell all the time to get data and information advice for my clients who are looking to either buy or sell a business. So I'm real excited to talk to you, Bob. Thank you very much for joining us.

Bob House:

It's my pleasure. Thanks for having me.

Gene Marks:

So Bob, let's get right to it. This podcast is all about selling your business. As you and I are talking right now, it's just starting to emerge from the shutting down of the economy and the coronavirus pandemic and all of that kind of stuff. And I have to tell you something, I'm not sure if you know the average age of the U.S. small businessperson—I've heard that it's like around 52 years old and maybe you know that better than I—but when I talked to a lot of my clients that are in their fifties that own businesses that have been going through this ordeal over the past couple of months, not just a few of them have said to me, "Gene, I have had it. I think this is it, and I think it's time for me to cash out. This is a younger person's game."

So my question to you, Bob, and you can take the remaining 12 minutes and 45 seconds of this podcast to answer is: are you seeing the same thing among business owners, more of an interest in selling their businesses? And if I am a business owner that's interested in selling my business, what thoughts do you have for me?

Bob House:

Well, yeah, I'd say that number 52 sounds about right. The business owners that come to BizBuySell probably tend to be a little older, because they're ready to sell. And so we see fifties and sixties is kind of the typical business owner that lists a business on our platform. And the buyers tend to be in their forties and fifties very often, sometimes younger as well, but usually have capital to purchase a business. So yeah, obviously owners, given that retirement's the number one reason that people look to sell a business, and there are a lot of baby boomers out there who are at that point where it's time to think about selling, is this the time to do it?

There are a lot of reasons why this is still a great time to sell a business. Change brings about opportunity, and there are a lot of entrepreneurs out there who are looking at this change as an incredible buying opportunity for emerging categories, or just to find a business that an owner was ready to exit at this moment. So we are seeing lots of activity on the platform. Definitely immediately after the declarations that went in place around the pandemic and in-sheltering orders, there was a little bit of a pause, but activity has rebounded and grown nicely since that initial period. And we've actually seen traffic to the site exceed where it was a year ago and in the most recent weeks.

So I think people are waking up to the fact that there's lots of opportunity out there still, and that you need to move forward with your plans. There's a unique opportunity right now with the Small Business Administration who's paying for this first six months of principal and interest on all SBA loans that are closing before September 27th. So if you have a business that you're looking to buy, if you're able to close on that business before September 27th, then you'll have an incredible deal.

Gene Marks:

And let me, if I can jump in ... so if you're looking to sell a business and you're trying to make it more attractive to a potential buyer who may not have all the financing in place, what you're saying is you can say, "Listen, if you get an SBA loan, you'll get free interest for the next six months," correct? And that will help make that acquisition, correct?

Bob House:

That's correct. That's correct. That can be a substantial benefit to buyers. And so we see a lot of buyers searching right now and trying to take advantage of this. And again, you have to close by September 27th, but you know, this could be a \$30,000 benefit on a small business of \$600,000.

Gene Marks:

Bob, would you say that it's a good time to sell your business now? I mean, we're coming out of ... We've had a huge economic downturn. Are downturns a good time to sell?

Bob House:

Well, it depends. It can be a very good time to sell. It depends on what you think is going to happen in the future. Many great businesses were born out of things, including the last recession we had in 2008-2009. There are absolutely certain businesses that now is a great time to sell. It depends on your personal situation, and if you need to exit and you don't want to fight for whatever transition period we're in here, you just don't have the energy to do so, then now would be a good time to exit.

Gene Marks:

What industries are you seeing have more activity around business owners that want to sell their businesses?

Bob House:

Yeah, well right now, certainly hot businesses are anything that involves online or remote or essential services. So things are doing really well right now and the question is, does an owner want to sell when things are taking off, but certainly buyers will want to buy into those categories: online delivery routes, third-party logistics, shipping and warehousing, some service categories, liquor, convenience stores, essential businesses, auto repair. There are a lot of things that are resilient to this environment we're in and will continue to have strong cash flow.

So those are just it could be a good time to sell anytime, right? Or it could be a great time now, because these are emerging trends. There might be other categories who are struggling a bit more. Hospitality or restaurants; potentially retail who have been in shutdown situations in some parts of the country. And the question is, is it a good time for them to sell now? Some may need to sell or some may have better value now than they would if they wait down the road. That's really hard to say, and it's going to kind of be case by case, but there may be some situations where owners don't want to sell now, because if they can get back to reopened and having cash flowing and showing some growth again, maybe that would be a better outcome for them to get to that point.

Gene Marks:

Say, Bob, I did decide that I wanted to sell now or sometime in the near future, what advice would you have for me? What would you say to me that I should be thinking about and doing to prepare my business?

Bob House:

Well, I think we say this all the time, whether it's whatever the market conditions: it's a multiyear kind of process to really maximize your return, if you can get ahead of it. So you want to start thinking about increasing the profitability of your business to make sure that your books are clean, that you're getting your financials in order, that you're running the expenses correctly through the business so that a buyer is looking at a clean set of financials to be able to assess the profitability and real potential of that business. You're going to also want to think about how you extract yourself from the day to day, so that you can transfer that business to a new owner when the time is right. And if you're too immersed and the business is too dependent on you, that'll be hard to do.

Bob House:

You want to start working with your advisors and make sure that you have a plan in place to exit. And that could be your CPA, your attorney, a business intermediary who can help you bring your business to market and know how to market it effectively to reach the right buyer for your business and maximize what you can receive for your business. So get the business ready to show, so ultimately once you get a serious buyer, they're going to want to look under the hood. And a bit of curb appeal and getting the business in a state where it'll show well, is another consideration.

Gene Marks:

Do you find that when businesses, particularly small businesses, sell themselves, the people buying them in general continue to operate them, or do you find that more and more businesses are purchased specifically for strategic assets, equipment, inventory, or data even?

Bob House:

We see all of the above. I mean, certainly there are lots of examples of owner-operator businesses, where somebody is looking for a lifestyle or an income stream or just the ability to create value and equity in their business that they can someday sell themselves. But there are investors and strategic buyers and even private equity groups that do look for opportunities out there and make strategic acquisitions for a location, to create scale for locations or enter a particular geographical market, you know? We see lots of that as well, but I'd say the majority of the inventory on our platform is owner-operator. But certainly even there, there are bigger brands that are consolidating locations or rolling up locations into enterprise.

Gene Marks:

And as a final note, what can BizBuySell do, or BizQuest.com do, to help somebody who's trying to sell their business?

Bob House:

Sure. Yeah, we have lots of resources for owners looking to navigate that process. We've got content and free guidebooks to help you understand it. We have evaluation tools that help you get a ballpark estimate of what your business might be worth. And then we have a vast directory of professional intermediaries who can help you sell that business when the time comes to list it, so you can search in your area for a broker with a certain expertise, et cetera, or list it directly on our platform if you just want to test the waters and see what interest might be for your business out there. But it's all there on the website.

Gene Marks:

Bob House is president of bizbuysell.com and bizquest.com, the internet's largest and most heavily trafficked business-for-sale marketplaces. For more information on what we discussed today and other coronavirus questions and topics, please visit the Paychex COVID-19 Help Center. The address is paychex.com/coronavirus-resources.