

Interested in buying a business? President of BizBuySell.com says now may be the right time

PAYCHEX
Business
Series

Coronavirus



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Bob House

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Full transcript

Gene Marks:

Hey everybody. 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, 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, which includes real-life advice from real-life business owners like myself on how they're handling the challenges of running their small businesses, and that's what this podcast is all about. I do plan in the future to have some guests on here who have either bought or sold their businesses and to get their reflections and their advice on what the experience has been like or what's going on as it's happening, but today I'm speaking to Bob House. Bob is the president of BizBuySell.com and BizQuest.com, the internet's largest and most heavily trafficked business-for-sale marketplaces. Bob, thank you very much for joining me.

Bob House:

It's my pleasure.

Gene Marks:

Bob, we talked before on another podcast about selling your business. I want to pivot a little bit, and I want to talk about buying a business. So, as we're having this discussion, it's late May of 2020, we're emerging and reopening our businesses from this whole coronavirus pandemic, and there are a lot of people at this stage that are looking to potentially hang up their spikes and move on—this whole episode has exhausted them. And at the same time, when there's disruption, there are opportunities, and it seems to me that now if you've got a few bucks in the bank or at least some credit available, it's a good opportunity to maybe snatch up a business or invest in a business, buy into a business, acquire a business, more so than it's been in the past few years. So for a buyer, Bob, is now a good time to buy a new business?

Bob House:

Absolutely. I think this is one of those rare times where disruption and change creates incredible opportunity for those who are savvy enough to recognize it and are greedy enough to take advantage of it. So there's plenty of opportunity out there, and it's deciding where that opportunity lies—that's the challenge always.

Gene Marks:

When you say disruption and change though, how do you think this pandemic has impacted the M&A market for both buyers and sellers?

Bob House:

I think who knows how long we're going to be living with this pandemic or the change in consumer behavior that flows from it, but at least initially, and probably for some time into the future, it's going to change people's consumption patterns. And buyers who recognize that and who can adapt to that can be great winners in this time period, and the same thing for owners for that matter. It's really about adapting to the changing situation. And so we've seen lots of examples of that in the media where adapting to takeout or delivery or online has made some businesses real winners by taking those steps. So that's what I mean by that.

Gene Marks:

You've seen tens and thousands of transactions in the 150 years that you've been doing this, and I'm sure there are certain types of businesses and industries that you do like, and if I were to hand you a million bucks and say, "Hey, Bob, go ahead and use this to buy a business, or at least put a down payment on one ..." What industries do you like right now, and what industries would you avoid, and tell us why.

Bob House:

Yeah, well, I think some of those emerging trends that I said: anything that can be delivered remotely, where you can maintain social distancing—while that may be officially relaxed, it may still weigh on people's minds for some period of time. And so companies that are less impacted by that are interesting opportunities, I think, for our buyer. Though shipping, warehousing, delivering routes—again, any kind of service business that is going to be resilient during this time period is an interesting category.

Residential landscaping, as people may look to travel a little bit less in the near future. Auto repair is another category where demand for that is probably going to increase as maybe people decide to maintain their existing cars versus buying a new vehicle. So there are lots of examples—you could read about a different one in the newspaper all the time. I saw one on bakeries last weekend, how they're booming right now. So there are all kinds of great examples of great businesses and categories that are doing really well.

Even in categories that you think might be having a tougher go right now, you hear stories of great opportunity. In the restaurant space, restaurants that have pivoted to doing takeout, who allow you to basically order online and then go pick it up and do curbside pickup, that are shifting their model to delivering meal kits. So there's all kinds of opportunity born out of circumstances like this that would interest me as an entrepreneur.

Gene Marks:

When you buy another business, there's always the long debate about keeping the previous owner around, at least as an employee or a consultant—or some presence during that period. What are your thoughts on that? Is that usually a positive or a negative thing?

Bob House:

Probably a positive thing for some short amount of time. There's a lot of domain knowledge in that owner's brain that you'll be able to tap, and I would certainly feel more comfortable having a little bit of that owner's time available to me for a period after the business closes and transfers. But I think too long is probably not the right answer either. And I'm not sure what the exact right amount of time is.

Gene Marks:

That's fair enough. Financing—is the environment for getting financing good for somebody that wants to acquire another business?

Bob House:

If you are a strong buyer, meaning you have some capital and you have experience, you can get financing, and this may be no better time to get financing in that the SBA is running, as part of the CARES Act, paying for the first six months of principal and interest on all as SBA loans that closed before September 27th. So that's an unprecedented buying opportunity for a strong buyer. Now, the lenders are starting to be more thoughtful in their lending decisions. Somebody who may have got a loan last year may or may not get one in this environment. But strong buyers are moving forward with deals, and this opportunity by the SBA makes it a fantastic time to take advantage of that.

Gene Marks:

What are your thoughts on using brokers?

Bob House:

Yeah, I mean, business brokers add a ton of value to the process. Transferring businesses carries a lot of ... there are a lot of variables, and there's a lot of discovery and due diligence that has to be done before both sides are confident with the deal happening. And particularly in this environment, where you might have to give a little bit on both sides. A broker can be a great intermediary for helping, figuring out how to make a deal happen and bring all the pieces together. So we generally believe that brokers add a lot of value to the process. And most of the brokers represent the owners. A buy-side broker can help you as well, but they tend to be mostly sell side.

Gene Marks:

Yeah look, you've seen a ton of transactions over the course of your long career. What common, big, or typical mistakes do you see a buyer make when they're looking to buy a company, particularly for the first time?

Bob House:

That's a good question, and I wish I could answer it, but I'm afraid we're not as close to the deals. I mean, we are the marketing platform for these, but you'd really probably want to talk to some brokers to find out what mistakes are the most common mistakes. I think anecdotally, from what I hear and certainly in surveys we do of our buyers, maybe some of the mistakes are not realizing what you're getting into when you buy a business. I think any [inaudible 00:08:44] and owner would say you've got to really assess your abilities, your strengths, your desires for what you want to get out of the business before entering it, because they always end up being more work than you maybe initially envisioned in dreaming of owning your own business.

Gene Marks:

Fair enough.

Bob House:

But yeah, that's probably the best advice I have. Know what you're getting into before you get into it.

Gene Marks:

Going forward, what do you see the market for buying and selling businesses like over the next few years?

Bob House:

Well, it's going to be really interesting. I mean, we've been in this long cycle of recovery and growth out of the last recession, and then this pandemic kind of came out of nowhere. We don't know if it's going to be a short-term effect or if it's going to have longer ripples. The longer we go, it seems more the general consensus by economists is that the recovery may be a little slower than initially hoped for. That's a very good question. Like I said, I think there are going to be winners and losers, and I think there are always winners in these times of change. And that's what entrepreneurs are great at sniffing out, is taking advantage of any change in the market, whether it's a sudden boom or a change in the direction of the economy, sniffing out what that opportunity is.

I think you'll find plenty of entrepreneurs finding great deals. And I think you'll find maybe a little softening in valuations as some owners are like, "I just need to sell, and if finances are little tougher to come by, I may have to be a little more forgiving and offer seller financing or cut my price a little bit." So you'll see some buyers getting good deals in the next couple of years.

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.

Bob, thanks for joining me both for this and for our other discussion that we had on selling your business. Super helpful, and we very much appreciate that. Everyone else, thanks for listening, and we'll see you next time.