

BABY BOOMER EFFECT ON MERGERS & ACQUISITIONS AND THE SELLING OF YOUR BUSINESS

Subject Line:

ATTN: Only For Firm Owners that were born between 1946 – 1964

We interrupt our regularly scheduled communication schedule offering articles of value, tidbits, tips and other merger and acquisitions information for the A/E/C industry, to bring to you, information that has come up from others, often and that needs addressed now.

Please take a moment and a break from our regular information and review and consider all of the following:

- We live in an aging world.
- The retirement of large numbers of baby-boomers will undoubtedly have a large impact on M&A activity as retiring business owners and those wanting to transition, look to sell their businesses.
- Baby boomers own an unprecedented number of businesses.
- Nationally, we are on the verge of an even more pronounced change in the ratio of older, retiring business owners looking to sell vs. younger adults or buyers that might consider buying businesses.
- An overwhelming number of baby boomer business owners have been waiting for a good time to sell their business. However, many are now about to decide that they cannot afford to wait for the right sequence of events to happen, before they pull the trigger to sell.

- Once business owners do decide it's time to sell or transition and that waiting is no longer a viable transition option, there will be a surge in business owners bringing their companies to market. This is already happening.
- 7 in 10 business owners surveyed by the experts, viewed their retirement date as a key factor in determining when to sell. Waiting too long is not desirable nor advisable.
- Sellers in the baby-boomer demographic described above, see that now may be their moment to sell before the business cycle takes its next downward turn.
- Business owners looking towards retirement should focus on succession planning and building an exit strategy.
- In the next 15-plus years, mergers and acquisitions will be driven by significant industry changes that are rapidly transforming the M&A landscape. Two dominant factors propelling this are: 1) a growing excess of retiring Baby Boomer business owners as described above; 2) the increasingly global (and still domestic) competitive landscape in which all businesses must compete.
- It is estimated that approximately 75 million baby boomers will be turning 65 at a rate of 10 thousand per day for the next 15 years, based on U.S. Census data. This translates to over 4 million businesses facing a potential succession event in the next 10-20 years.
- Another way to look at the baby boomer affect is that an estimated 67 percent of today's middle market business owners will reach retirement age by 2029. This means that more than 800,000 middle market businesses will be sold or disposed of which is an average of 43,000 middle market businesses annually, by then.
- Add to the middle market numbers, and you have roughly 10 million (or 65% to 75%) of all small companies up for sale in the next 10 years.

- Roughly 40% of family-owned companies in the U.S. will experience leadership change in the next five years.
- These implications should become part of business owners' critical thinking in terms of making plans for the future of their companies and for themselves. The time is now.
- The selling process takes 10-14 months and then there is owner transition. Considering this and the information above, suggests the time to sell is now.
- Selling a business is more than just the liquidity event, but it can often mean protecting the legacy you may have worked a lifetime to build.
- Talk to an Advisor
- Far too often, business owners wrongly assume that the sale or purchase of a business is just like any other negotiation they previously managed and too often lead their sell-side M&A transactions by themselves. They think its like selling real estate; but its not.
- Resulting "do-it-yourself, first-time M&A transactions too often prove quite costly and catastrophic, to first-time acquiring business owners. first-time M&A sellers often overlook the fact that the full value of a transaction involves far more than just the price they negotiate for their businesses, not to mention potential pitfalls.
- There is risk that the supply/demand imbalance will shift quickly to an over-supply of businesses on the market. This suggests planning your transition and selling your firm sooner than later.
- If you wait, more sellers will enter the market. As more sellers enter the market, buyers will become more selective and only those companies which are proven performers and more professionally managed will be able to dictate the highest values. Mediocre businesses may still find buyers however, their values may decline while underperforming or less desirable businesses may find it difficult in finding any buyers at all.

- Another thing to think about is the fact that the increasing age of the Baby Boomers increases the probability that certain owners may fall victim to illnesses which could force departures from the businesses prematurely. For those companies that have not planned accordingly by developing management depth, delegating authority, or waiting to sell, etc., there will be a devastating impact on the business operations, legacy and value.
- According to Exit Planning Institute, only a minority number of Baby Boomer business owners have exit strategies and succession plans and for many, the expected value they hope to receive for their businesses constitutes a major component of their expected retirement income. by starting to take the necessary actions to prepare, owners can help to ensure that they will have a successful exit and receive reasonable values for their businesses in addition to not waiting until the market is flooded.
- "Trillions of dollars of business value are going to change hands in the next 10 to 20 years," say business bankers. 'strategic acquisitions' — purchases by companies looking to expand — will be a key factor in that trend. companies looking to grow feel that it would take years to build businesses organically whereas acquisitions fuel growth much quicker. These businesses have to do acquisitions to continue to grow and grow quickly.

- A brief note about Stonemill Partners:

Stonemill Partners is a mergers and acquisitions advisory firm working only in the A/E/C with companies like yours. We are looking to help others meet their transition objectives and to sell successfully. You can discover more about the Stonemill Partners' approach and see our listings at www.stonemillpartners.com.

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