



**For Buyers and Sellers of Businesses- \$0-100MM Revenue**

# Business Team Newsletter

Fall Edition

***Scroll down to see sold and new listings.***



## **Business Valuation by Ian MacLachlan**

When a business owner begins to think about an exit, usually the first concern is pricing. In my experience, sellers, for various reasons, tend to overvalue rather than underprice companies when going to market. Once a business goes on the market there is always some risk, increasing over time, that employees, vendors and customers become aware that the business is for sale. A business that is overpriced will likely only sell after a price or a series of price reductions which increases the length of time on the market and the risk of a confidentiality breach.

### **A Common valuation approach-COMPARABLE SALES**

This is the most frequently used method, but it is far from foolproof. Unlike residential sales, there is no public record for the sale of privately owned companies. And while there are a number of sold business databases available by subscriptions to appraisers and business brokers, the transaction

data is often incomplete and sometimes incorrect. One provider of business sold data would come to our office for a few days and go through the transaction files to obtain information. He looked at a file for a printing company which had an annual cash flow of \$1 million and a selling price of \$1 million which would suggest that printing companies sell for one-times cash flow. What the data collector was unaware of was that the business had one customer which accounted for 70% of revenue and that customer had recently gone away. All the sold databases rely on third parties, either business brokers or SBA lenders, to report information without verification so someone performing a valuation must check for reasonableness before placing much reliance upon it.

From this collection of sold data formulas are developed such as X times cash flow or Y% of revenue. These, however, are still only approximate indicators of business values and can be affected by a number of factors--type of business, location, etc. Approximation, though, is good enough if the business is offered to the widest buyer pool possible. Residential real estate brokers achieve this with the help of MLS (Multiple Listing Service) which makes a single listing available to hundred or even thousands of agents providing extensive market coverage. Unfortunately, there is no such system for the sale of businesses so there is little sharing of listing information-- many business brokers refuse to provide any information to other brokers which means access to the buyer pool is restricted to only those buyers the listing agent can reach on her own.

Our approach here at Business team is different. We present every listing to our entire staff of 80 Business Team brokers, educating them about the business, getting them knowledgeable and interested, so they in turn can each reach out to their buyers, providing the leverage and coverage a business seller really needs to be sure that the market price is delivered!

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## **An Approach to Fund a Business Purchase or Startup**

### **What is Rollovers as Business Start-ups (ROBS)?**

When fishing buddies Don Poffenroth and Kent Fleishman first dreamed up

Dry Fly Distillery in 2007, they needed affordable business financing. Finding a location, purchasing distilling equipment, and other costs of launching a business weighed on their mind, but they didn't want to drain their personal savings or take a bank loan.

Instead, they chose a debt-free option called Rollovers as Business Startups (ROBS). ROBS 401(k) business financing allowed Don and Kent to use their retirement funds to start a business — all without incurring tax penalties or borrowing money. Today, Dry Fly's award-winning spirits can be purchased in 37 states and over 30 countries.

### **How does Rollovers as Business Startups (ROBS) work?**

**Step 1: Set Up a New C Corporation:** All companies funded through the ROBS arrangement must be C corporations.

**Step 2: A New 401(k) Plan is Established:** A new 401(k) plan must be established on behalf of the new C corporation.

**Step 3: Existing Retirement Funds Are Rolled into the New 401(k) Plan:** Funds are rolled from your existing retirement account into the new 401(k) account. This step is the 'rollover' in Rollovers as Business Startups.

**Step 4: The Stock Purchase:** The new 401(k) plan purchases private stock in your new C corporation.

**Step 5: The Corporation is Cash Rich.** As a result of the stock purchase, your company receives the money from the 401(k) account. Your new C corporation is now cash-rich. These funds can be used for business operations including funding a new business, purchasing an existing business or using the funds as a down payment on a business loan.

You may not have heard of ROBS, but it's gaining popularity (20% businesses used it according to 2021 Small Business Trends). To date, Guidant Financial has helped over 25,000 entrepreneurs gain access to \$4.2 billion in financing through the ROBS structure.

### **Rollovers as Business Startups Benefits**

**Debt-Free Financing:** ROBS is not a loan, which means there are no monthly payments to make or interest to be repaid.

**Increased Buying Power:** ROBS funding can be used as the down payment on a small business loan or seller financing arrangement — making a business owner a more qualified borrower and increasing his/her total buying power.

**Easy to Qualify:** ROBS has no minimum credit score or collateral requirements. The only qualification requirement is having at least \$50,000 in a rollable, pre-tax retirement account.

### Getting Started with ROBS

To get started, pre-qualify for business financing. The next step is working with a ROBS provider. Ask about their completed rollovers, audit rates, support from outside council, and plan administration team. These are key to success when funding with ROBS.

Financing is the first hurdle in most entrepreneurial journeys. Finding the right financing partner, understanding your options, and investing in yourself will all help. Who knows — maybe you and a fishing buddy have business success on your horizon. Get started today!

## Recently Sold

### RECENTLY SOLD



**High Profit Salt Distributor**

Sale Price: \$2,450,000

Web: Business-team.com

**•SOLD**



### RECENTLY SOLD



**Translation Service**

Sale Price: \$1,200,000

Web: Business-team.com

**•SOLD**



### RECENTLY SOLD



**Recruiting Business**

Sale Price: \$59,000,000

Web: Business-team.com

**•SOLD**



### RECENTLY SOLD



**Tire Store Franchise**

Sale Price: \$1,595,000

Web: Business-team.com

**•SOLD**



## RECENTLY SOLD



3D mammography

**•SOLD**

### Mammography Center

Sale Price: \$770,00

Web: Business-team.com



## RECENTLY SOLD



### Plumbing, Heating & Cooling

Sale Price: \$1,300,000

Web: Business-team.com



## RECENTLY SOLD



**•SOLD**

### Full-Service Machine and Fabrication Shop

Sale Price: \$850,000

Web: Business-team.com



## RECENTLY SOLD



**•SOLD**

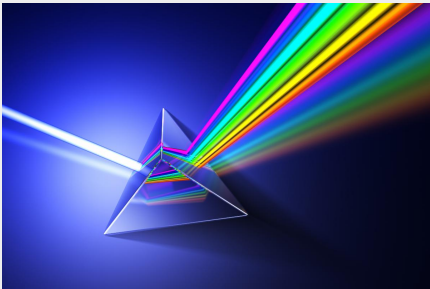
### B2B Commercial Equipment Dist. with \$24M sales

Sale Price: \$8,250,000

Web: Business-team.com



# Business for Sale



### Industrial Optics Manufacturer

Listing #:SJ10061

Category: Optical Manufacturer

Location: Northern California

Gross Sales:

\$1,805,087

Adjusted Earnings:

\$700,953

Asking Price:

\$2,500,000



### Full Range Fulfillment Service

Listing #:PH10579

Category: Fulfillment Services

Location: Northern California

Gross Sales:

\$3,770,843

Adjusted Earnings:

\$816,847

Asking Price:

\$4,800,000



**CNC Machine Manufacturer and  
Prototyping Service**

Listing #:10124  
Category: Manufacturing  
Location: South Bay  
Gross Sales:  
\$1,323,943  
Adjusted Earnings:  
\$591,929  
Asking Price:  
\$2,000,000



**High End Jewelry Boutique  
\$2million+ Included Inventory**

Listing #:SJ10408  
Category: Jewelry Retail  
Location: Northern California  
Gross Sales:  
\$8,752,813  
Adjusted Earnings:  
\$1,253,056  
Asking Price:  
\$5,250,000



**Exclusive Winery, Vineyard and Wine  
Club**

Listing #:EG10183  
Category: Miscellaneous  
Location: N/A  
Gross Sales:  
\$681,677  
Adjusted Earnings:  
\$159,258  
Asking Price:  
\$6,600,000



**Highly Profitable Kitchen Design &  
Assembly Business**

Listing #:10566  
Category: Wholesale & Distribution  
Location: N/A  
Gross Sales: 8 Months 2021  
\$8,504,068  
Adjusted Earnings:  
\$798,899  
Asking Price:  
N/A

For additional information, please visit  
our website.

[www.business-team.com](http://www.business-team.com)



SEE ALL  
LISTINGS



## Join Business Team!

If you have a business background and an interest in matching business buyers with the right business please call or email Ian at [ian@business-team.com](mailto:ian@business-team.com).

