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Price of small biz jumps 50%

Atlanta Business Chronicle - by [Urvaksh Karkaria](#) Staff Writer

Brian Cosgray: The son of banker Marvin Cosgray is looking to buy a well-run business, preferably from a retiring entrepreneur.



Small businesses in metro Atlanta sold for nearly 50 percent more in the fourth quarter than they did a year ago, despite a recession of historic proportions, according to new data from online business broker BizBuySell.

Those businesses sold for a median price of \$155,000 in the fourth quarter, up from \$105,000 a year earlier, according to recently released data.

The data bucks national trends, which show small businesses selling for less in the fourth quarter than a year ago.

The health of small businesses — those with fewer than 500 employees — is indicative of the economy's overall health. While Fortune 500

companies get the buzz, small businesses fuel the nation's economy, creating more than two-thirds of all new jobs. Georgia has 859,500 small businesses, according to the **Small Business Administration's** 2007 state report estimates. Metro Atlanta had about 103,500 small businesses, which accounted for nearly 45 percent of the region's workforce, according to 2005 data.

The number of businesses that sold in metro Atlanta in the fourth quarter dipped marginally — from 50 to 48 — and trailed the broader nationwide decline, BizBuySell noted. Area businesses that sold in the fourth quarter had a median revenue of \$257,000 and a median cash flow — money that comes out of the business over the course of a year — of \$74,090.

Oddly, the sales-to-ask ratio (sales price divided by asking price) in the metro Atlanta market increased from 0.84 to 1.02 in the fourth quarter.

“Generally [sellers] get less than they ask for,” BizBuySell General Manager Mike Handelsman.

Nationally, fewer deals are getting done, and completed deals are closing with lower business valuations relative to a year ago.

Across the United States, the broker reported 1,232 closed deals in the fourth quarter, down 20 percent from the same time a year ago. The median sales price for closed transactions was \$177,500 in the fourth quarter, compared with \$187,700 the same quarter a year ago.

Nationally, the volume of small businesses sold, the median sales price and the multiples of cash flow and revenue all declined for the first time in two years, Handelsman said.

“Buyers are having trouble getting financing, sellers are holding off on selling business right now,” he said. “Those buyers who do have access to capital may be able to get businesses at slightly lower prices because there’s more risk than there was before.”

Rising unemployment, such as what is occurring now, is typically good for the small-business economy as laid-off workers become entrepreneurs and purchase businesses. This time, however, it’s different because potential entrepreneurs can’t get access to small-business capital. The SBA backed 57 percent fewer loans in the fourth quarter of 2008.

It’s a good time to buy a business because a tough economy weeds out the poor performers, said Brian Cosgray, who recently returned to Atlanta and is looking to buy a “well-run, stable cash-flowing business,” preferably from a retiring entrepreneur. Cosgray is the son of **Buckhead Community Bank** President Marvin Cosgray.

“If the business is making money today,” Cosgray said, “then that’s probably a pretty good business.”

Cosgray expects his search to last six to nine months.

Walden Businesses Inc., an Atlanta business broker, has seen a 20 percent spike in small-business sales in the fourth quarter, President



Chet Walden said. Valuations, meanwhile, have fallen 10 percent to 15 percent, he said.

Demand for well-run business is up from high-net-worth individuals suffering stock-market whiplash.

Those individuals, Walden said, are saying “you know, I am tired of this roller coaster. I want to control my own destiny.”

Walden also noticed an uptick in demand from strategic buyers — those seeking to acquire competitors or businesses that help expand their product portfolio.

These buyers “have hit a plateau, or have saturated their market,” he said. “They are looking for a complementary adjunct to what they are already doing.”

Walden offers a somewhat subjective reasoning for metro Atlanta’s relatively strong small-business transaction market.

“The Southeastern buyer tends to be more positive in their thinking,” he said. “They look at lemons and they say ‘I’m going to make lemonade out of this.’ ”