

If your listings are down, you're not alone!

We're seeing a slowdown, and so are many of our broker offices.

Building success through the sharing of information

By Steve Mariani

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If you're seeing a listing slowdown, you're not alone. We're hearing it from across the country right now. Although I will not mention direct office names, understand that these are higher volume broker offices that are struggling each day to secure new listings. One office that we work with typically has between 8 and 10 business listings at any given time, now has admitted to me they have only 2 current offerings. We're seeing this trend from California to Florida and to the northeast as well. Another office has reduced their minimum listing amount down from \$750K to \$300K, and they are not the only ones listing lower end transactions in today's markets.

Why is this happening, and how can we overcome today's obstacles? This is my next question to each intermediary so I can better understand what they hear from potential sellers as they solicit business listings. Many answers were typical and expected as some businesses are just now recovering from the effects of these last few years and the pandemic. We're seeing many well-established businesses that have struggled with cash flow during the 2021 and 2022 time periods. Some 40 and 50-year-old firms that, due to shipping issues or outside manufacturing delays, have dropped in revenue by 30, 40 or even 50%. Adjusting for these increased expenses and returning the profit margins to normalized levels sometimes can take months or even years.

Having a 30% drop in gross profit immediately affects the bottom line and any consideration for cash flow when contemplating a sale. This seems to be the biggest reason we're seeing for not agreeing to list a business in today's market. On most listings over \$1MM, even a small drop in revenue can greatly reduce the listing value, as we all recognize. The concern is this potential seller remembers that just 2 years ago his business would have secured a much higher value and now he refuses to lower his price by the 30% that the current market demands.

This leads directly to the next item many sellers raise as concern, it's an election year. Many of our transactions range from \$2MM to upwards of \$5MM, and what we've found is that many of these owners read the news. Good or bad, when there is uncertainty in the markets, and interest rates remain at a 22-year high, this concerns every business owner in America. I've had sellers call me directly to better understand exactly what the payment effects would be on the sale of their business for a new buyer. Most informed sellers understand that the higher interest rates will affect the size of the buyer pool interested in purchasing their company, hence reducing the value.

Here's what we're doing today and what we're seeing brokers around the country do to secure listings. A few of our broker offices have enjoyed the first quarter of 2024 as their remaining listings from 2023 close, many have not. If you've followed me for any length of time or been in this industry for more than a decade, then you've heard me say this before. It's time to buckle down and work a little (maybe a lot) harder. I'm taking calls after hours, returning emails a little faster, handling transactions that we wouldn't normally accept, and more. We're relying on our 30 years of experience, along with the relationships we've built over the decades, to bring more creative answers to transactions and find ways to secure approvals.

Our broker offices tell us that they are reviewing previous possible listings in their databases and reaching out to many of them from last year. What they are doing differently today is that they are requesting in person meetings with these possible sellers to help them understand and explain options. By spending more time with each potential seller, they are going through all the possible and creative avenues to support an exit with them today. Retiring sellers seem to be much more open to listening to a trusted intermediary than most, it becomes the seller's value of their time vs the value and difference in selling price. Emotionally attached sellers retiring typically care more about their legacy continuing along with the support of long-time employees and customers.

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to continue to support our industry and provide valuable main street broker information.

You can reach out directly to me at Stevem@easysba.com or my direct dial at 919.376.2922.

I hope today's letter was informative and please feel free to share with anyone that you believe can benefit from it. We are dedicated to the success of the intermediary.

Steve Mariani

Owner, Diamond Financial Services

(888) 238-0952

Let's get Started!