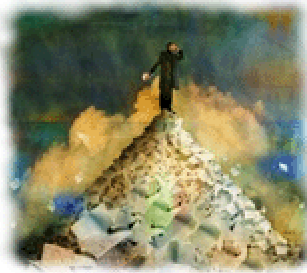


Business Brokerage and Mergers & Acquisitions



We are often asked -- what is the difference between business brokers and intermediaries? Or, what is the difference between business brokerage and mergers and acquisitions? Others ask - where is the dividing line between the two? Is the mid-market size business the same as mergers and acquisitions? We think the battle is really one of semantics. Many successful practitioners who handle the sale of the larger business feel that they are business brokers because that's exactly what they do.

Others feel that, since they handle the larger business, they should be called something else, so they prefer the term intermediary. Now, we find that those who handle the very large businesses don't want to be called either, but use the term investment banker. It all depends on whom you talk to, we guess!

The question of what is the dividing line, at least dollar-wise, between the two is an interesting one, since business brokers tend to attempt to sell whatever they're comfortable with and place very few restrictions on themselves. Intermediaries and investment bankers generally only handle the mid-size company and do not work on any deals that fall below that plateau. A very successful business broker told us that, several years ago, his largest deal was \$23 million, and his smallest was \$40,000 quite a spread. However, it shows the range in size that business brokers will and can handle.

Here is how we see the dividing lines between all of the players. Regardless of the size of the deal they are all dealmakers. Keep in mind that the dividing lines are fuzzy at best.

General Business

Businesses priced under \$500,000. This category would include all of those businesses, in the SBA study used above, with 9 or fewer employees; and average annual revenues of approximately \$800,000 or less. This category covers almost 80 percent of all businesses.

The Larger Business

Businesses priced between \$500,000 and \$3 million. This category falls between very fuzzy lines because it covers deals done by both business brokers and intermediaries. It represents most likely the top end of what a business broker would normally handle and the bottom end of what the intermediary prefers to deal with. It would include those businesses, again, referring to the SBA study, with 9 to 19 employees or less and annual revenues between \$800,000 and \$1.7 million. This category represents approximately 9 percent of all businesses.

The Mid-Sized Company

Businesses priced between \$3 million and under \$20 million. Business brokers occasionally get involved in businesses of this size. This size company is the main focus of business intermediaries around the country. This is the beginning category of the true M&A practice. Businesses in this category usually have revenues over \$1.7 million, but less than \$5.7 million; and have between 20 and 99 employees. This category represents about 8 percent of all businesses.

The Large Company

Businesses priced over \$20 million. The M&A departments of the large securities companies and the larger M&A firms generally handle businesses of this size. Many of these companies are publicly held or will be acquired by one that is. For this reason, the intermediary involved in these companies usually has a securities license. Businesses in this category generally have revenues above \$27 million and over 100 employees. This category represents slightly over 1 percent of all businesses.

****Note: Figures do not add to 100 percent due to rounding.***

The Basic Breakdown

By rounding some of the figures to make our breakdown simpler, we arrive at the following:

- General Business Brokerage
Businesses priced under \$500,000, annual revenues of less than \$750,000, and with fewer than 10 employees. This category represents almost 80 percent of all businesses.
- The Larger Business
Businesses priced between \$500,000 and \$3 million, annual revenues between \$750,000 and \$2 million, and fewer than 20 employees. This category represents about 10 percent of all businesses.
- The Mid-Size Company
Businesses priced between \$3 million and \$30 million, annual revenues between \$2 million and \$6 million, and between 20 to 100 employees. This category represents approximately 10 percent of all businesses.
- The Large Company
Businesses priced over \$20 million, annual revenues over \$30 million, with over 100 employees. This category represents slightly over 1 percent of all businesses.

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