

## Memorandum

To: Clients, Associates & Friends of Pro@ctive Advisory  
From: Mark L. Wyssbrod, CPA  
Date: May 28, 2014  
Re: The time to sell or merge is now

In this memorandum, you will receive information about the following:

- The time to sell or merge is now

Please contact me should you have any questions. Take advantage of the current market conditions!

### The time to sell or merge is now

Is it time for your business to merge or to be acquired or to acquire? Perhaps you are ready for retirement or you don't want to have all of the headaches of running a business; or you see an opportunity and would like to invest in it. The current economic environment has created favorable ingredients for M&A (mergers and acquisitions) activity.

First, interest rates have remained low. Even as the US Federal Reserve (the Fed) has begun to reduce its monthly bond purchases interest rates have not increased. I have been mentioning (forecasting) rates not to increase any time soon in discussions (I will write about this in my June update).

Second, the acquirer believes the future will be better. Optimism is back and individuals (want to) believe in future growth. Investors are seeing earnings increasing and believe earnings will continue to increase. I believe the small business economy will continue to stay challenging as financial positions have not significantly improved (especially in retail and construction related industries).

Third, the acquiring or merging companies believe they will have better scales of economies. Small businesses generally has not had any purchasing power, has not had power over labor and only has minimal control over customers (they can reduce price). Larger companies believe they have more control over vendor relationships, labor markets (individual want to work for a brand) and increase controls over customers (their product is in demand). This is the area I believe offers the most compelling reason merge or expand. Small businesses seem to have one or two of the following, but not all three: additional production capacity, excel at sales, and operational



management. By merging or acquisition you may be able to combine strengths to conquer weaknesses can have positive outcomes.

Fourth, banks are lending once again. Funds seem to be more available for purchasing a business than for a line of credit to expand an existing business. Individuals can qualify for loans once again on reasonable metrics and business plans.

### Conclusion

I believe the time is very favorable for business owners in most industries to sell their business; reasonable to expand; and mediocre to purchase. The IT industry has the most favorable reasons to merger or acquire. If you want to sell, it's time to place your business on the market before these conditions change.

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