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Re: Article in **CRAIN'S CHICAGO BUSINESS**

Date of Article: 2/11/08

Title: **Selling Out-Biz for Sale: Click Here**

Written By: Cynthia Hanson

'Biz for sale: click here'

**Low costs, big reach
Bring more sellers online to find buyers**

If it weren't for the Internet, Ernie Kaplan probably wouldn't have found a buyer for his company just 2 months after putting it on the market.

Last year, Mr. Kaplan hired Sunbelt Business Brokers in Chicago to sell Kaplan Trucking & Paving Co., which he founded in Mundelein in 1979 and grew into a company with \$2.5 million in annual revenue. He explicitly instructed Sunbelt not to advertise locally.

"I wanted to get out within a year, but I didn't want my 20 employees to know I was trying to sell and think they'd lose their jobs," says Mr. Kaplan, 52, whose company installs and maintains parking lots and driveways for residential and commercial clients. "I also didn't want my business's reputation destroyed."

"MILLIONS OF PEOPLE USE THE INTERNET EVERY DAY, COMPARED WITH THOUSANDS WHO MAY READ THE BUSINESSES-FOR-SALE LISTINGS IN THE LOCAL NEWSPAPERS."

[Domenic Rinaldi, managing partner, Sunbelt Business Brokers]

Mr. Kaplan needn't have worried about being exposed in print. For the past three years, Sunbelt has marketed its clients almost exclusively through Websites like BizBuySell, Bizquest and BusinessesForSale.

"Millions of people use the internet every day, compared with thousands who may read the business-for-sale listings in the local newspapers," says Domenic Rinaldi, managing partner of Sunbelt, which relies less and less on traditional networking like contacting private-equity firms and calling entrepreneurs who have bought and sold businesses in the past.

Listings Double

With its launch in 1996, BizBuySell pioneered the use of the Internet to sell companies. The San Francisco-based Website posts a paragraph describing the company for sale, its price, gross income, cash flow, inventory and reason for selling.

There are now dozens of these sites, some run by brokers and some that specialize in specific industries. Although there's no data on the number of businesses that change hands through online advertising, BizBuySell, one of the largest such sites, has about 50,000 active listings and estimates 12,000 deals closed in 2007 because of its service.



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“That’s just an estimate, because not all brokers report their transactions, and when they do find a buyer, it doesn’t necessarily mean that they found the buyer through us,” says Mike Handelsman, BizBuySell’s general manager.

Still, the benefits of advertising online are obvious: access to buyers around the world—and more targeted buyers, since they can search by location, industry, revenue, profitability or other key words. Plus, it’s less expensive.

On BizBuySell, sellers choose from three listing options, depending on exposure they want. A standard listing costs \$59.95 per month with a two month minimum, while “featured” and “showcase” listings cost \$79.95 and \$99.95 a month and include perks like coming up first in the searches and having e-mail blasts sent to registered buyers. By comparison, a one-time ad in a newspaper such as the *Chicago Tribune* costs \$100 to \$200.

BizBuySell gets more than 675,000 visits per month. Since 2005, the number of listings on the site has doubled and, in the past year, the number of unique visits to the site has jumped 76%, Mr. Handelsman says. Recent Chicago-area listings on BizBuySell span a wide range in both sectors and asking price, from a \$350,000 restaurant franchise and a \$1.2 million landscaping company to a \$6-million cabinet manufacturer and a \$13-million meat processing plant.

QUICK SALE

A year ago, Mr. Kaplan’s broker posted a cloaked listing—without the company name or location—for Kaplan Trucking & Paving on BizBuySell and two other sites. Within weeks, he received 30 inquiries from potential buyers.

One of them was Michael Barr, vice president of administration at private-equity firm Operations & Capital Partners LLC in Libertyville, who found Mr. Kaplan’s listing on BizBuySell. Mr. Barr and his partner, Scott Greenberg, regularly search the Web for companies that fit their criteria: a single owner, at least \$2.5 million in annual sales, 10% EBITDA, or earnings before interest, taxes, depreciation and amortization, and a Northern Illinois location.

“I’d driven past Kaplan Trucking & Paving numerous times while running errands in the neighborhood, and I’d never noticed it,” says Mr. Barr, 51, whose office is two miles away from Mr. Kaplan’s.

Last May, Operations & Capital Partners made Mr. Kaplan an offer. A month later, the deal closed for between \$1 million and \$2 million. (The parties declined to disclose an exact figure.) Mr. Kaplan, who stayed on as a sales consultant, received 70% cash upfront, with the balance to be paid in installments over the next four years.

Mr. Barr attributes the quick sale to the detailed profile of Kaplan Paving on BizBuySell. “The better the quality of the financial and industry-sector information sellers let their brokers include, the faster they’ll qualify potential buyers,” Mr. Barr says. “By disclosing more about the business upfront, they may get fewer inquiries, but they’ll be serious buyers. As for Mr. Kaplan, he hopes to buy another company. To that end, he’s been searching the Internet.

- **SELLING OUT**
- Posting your ad online gives you access to **more targeted buyers** who can search by location, industry, price, etc.
- It’s also **less expensive**, with ad prices ranging from \$60 to \$100 a month.