

## **Recapitalization Emerges as Top Reason for Sale of Small Businesses According To Market Pulse Quarterly Report**

**LOS ANGELES, November 14, 2016** – For the first time in nearly three years, recapitalization has replaced burnout as one of the top reasons that businesses valued at \$5-50MM go to market, according to the quarterly Market Pulse Report [insert report link] published by the [International Business Brokers Association](#) (IBBA), [M&A Source](#), and the [Pepperdine Private Capital Market Project](#).

Recapitalization is when a business owner sells a minority (e.g., 10-20%) or a majority (e.g., 70-80%) of his or her company to a private equity firm, but not 100%. The business owner can then partner with the private equity firm to continue to grow the business with reduced risk, not having all of his or her 'eggs in one basket.' The report found a substantial increase in private equity activity in the \$5 million to \$50 million category in Q3 2016 (50 percent of buyers) compared to Q2 2016 (39 percent of buyers).

“The uptick in recapitalization activity could be an indicator that Lower Middle Market business owners are becoming savvier about their exit planning options and planning more in advance,” said Scott Bushkie, Certified Business Intermediary, President of Cornerstone Business Services, Inc., and IBBA Chair. “Business owners are increasingly exploring partnerships that enable them to exit out of their businesses in stages and take a second bite out of the apple when they sell their remaining shares a few years down the road.”

“More business owners are finding that recapitalization minimizes the risks and stresses of operating a business,” said Craig Everett, PhD, assistant professor of finance and director of the Pepperdine Private Capital Markets Project. “Sharing financial responsibility with a private equity firm is a smart move for business owners who need strategic support or a cash infusion. When owners become ready to sell and retire, recapitalization can make their companies more attractive to buyers.”

The quarterly report also found that businesses in the smallest market sector (values of \$0-\$2 MM) are positioned in a buyer's market, although seller leverage is improving. As deals begin to exceed \$1 million in value and enter the Lower Middle Market (values of \$2-\$50MM), the advantage shifts to sellers.

The Market Pulse Report compares conditions for businesses being sold on Main Street (values of \$0-\$2MM) to those being sold in the Lower Middle Market (values of \$2-\$50MM). The Q3 2016 survey was completed between October 3 and October 18 by 278 business brokers and M&A advisors from 38 states.

### **About International Business Brokers Association (IBBA) and the M&A Source**

Founded in 1983, IBBA is the largest non-profit association specifically formed to meet the needs of people and firms engaged in various aspects of business brokerage and mergers and acquisitions. The IBBA is a trade association of business brokers providing education, conferences, professional designations, and networking opportunities. For more information about IBBA, visit the website at [www.ibba.org](http://www.ibba.org) or follow the IBBA on [Facebook](#), [Twitter](#), and [LinkedIn](#).

Founded in 1991, The M&A Source promotes professional development of merger and acquisition professionals so that they may better serve their clients' needs, and maximize public

awareness of professional intermediary services available for middle market merger and acquisition transactions. For more information about the M&A Source visit [www.masource.org](http://www.masource.org), or follow The M&A Source on [Facebook](#), [LinkedIn](#), or [Twitter](#).

**About the Pepperdine Graziadio School of Business and Management**

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