



INVESTOR BUSINESS SEGMENTS

Business and Industry Types

Most businesses are grouped into broad industry categories such as retail, manufacturing, distribution, services and construction. Within each category there are dozens of subcategories which more specifically describe the business and its market. Businesses are also grouped into market categories based on the size of the company.

Publicly Traded & Large Businesses

These are the publicly-traded companies traded on stock exchanges around the world and large businesses held by institutional investors. The rules of their acquisition are taught in business schools, and their mergers and acquisitions are typically handled by investment banking firms. These companies have the objective of maximizing shareholders value.

Mid-Market Companies

These range from substantial privately-held companies with earnings from the several hundreds of thousands of dollars to earnings in the millions of dollars. Comparisons to publicly-traded companies and large businesses for sales purposes, however, are misleading. Private companies do not actively trade their stock; consequently there is little if any liquidity to their stock which factors into the market value of the business.

Small Businesses

These businesses may vary from situations where the owners play the central management and employee roles, to companies that demonstrate consistency in earnings and have solid organizational structures. In most small businesses, owner involvement in the day-to-day management is typical. Small businesses are the backbone of the American economy and the marketplace for their sale is active. The greatest obstacle to the successful sale of these businesses is overcoming the buyer's perception of risk.

Market and Transaction Categories

	Publicly Traded/ Large Businesses	Mid-Market	Small Businesses
Market Category	Large publicly traded	Substantial privately held	Closely held & entrepreneurial
Annual Sales	Typically over \$100 million	Over \$1,000,000	Up to \$1,000,000
Earnings	Measured in tens or hundreds of millions, EBITDA*	\$250,000 to small millions DE**	Less than \$250,000 DE**
P/E Ratios	Driven by market conditions, ranges from 10 to 25 times earnings.	Typically 3 to 5 times EBITDA or 2 to 4 times DE	Typically 2 to 3 Times DE
Terms of Sale	Cash or equivalent, often complex transactions involving stock swaps and mergers.	Typically 20% to 25% down payment with bank (SBA) financing plus a seller note.	Down Payment of 1-2 Times Earnings + sellers note, bank financing (SBA) is often available.
Management	Professional with many layers of management	Structured & disciplined, owner involvement varied	Owner is primary element in company operations