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**Ron Johnson, M&AMI, CBI, CBB, *Fellow of the IBBA***

### **“Cap X” For Business Brokers**

From my perspective, each of us sell businesses all the time (I hope). We frequently discuss with our sellers and buyers the “Cap X” (annual capital expenditures). This refers to the monies our buyers need to invest in their business annually to keep the business running and growing. Each of us, as business brokers/intermediaries, have our own business, with about 50% of us working in multi-intermediary offices, and about 50% being sole practitioners. But in almost every case, each of us “are our business” since most of us are almost wholly commission based. Our success is created by ourselves, and directly affects our income. Just because our profession has a very small barrier to entry is no reason to think that each of us, as independent businesses, do not have an annual “Cap X.” However, in our profession’s case, most of our “Cap X” is in intangible assets, not tangible assets. Nevertheless, those expenditures are necessary to keep our businesses growing.

What are some of the key expenditures for us? I suggest that two primary items are Marketing (in multiple manners) and Education. And in our case, most of the education comes from associations. Quite obviously within the IBBA, membership is directly tied to education and vice versa. Few things in my career as a business broker have had the financial impact that the membership in, and education from, the IBBA has had. Not only the direct education (courses), but the networking and associating with skilled and successful dealmakers have been a tremendous advantage. A \$5,000-\$6,000 annual investment, or “Cap X”, to attend two conferences and a number of education courses is a small investment, if it helps just to make a single extra deal. From my experience, it has helped me make many extra deals, and especially much larger deals.

Another way to think of the investment would be that 10 years would cost \$50,000-\$60,000 total for conferences and education courses. Just one “extra” \$1 million deal in that 10-year period would more than cover the investment, and I know 10 years of conferences and educational courses will yield me much more than just one additional deal. But, with just one extra \$1,000,000 deal in the 10-year period, that would be a \$100,000 commission yielded from a \$60,000 investment, which is a \$40,000 return on the \$60,000. That’s an ROI of 66.7% - can you find a better investment?

I encourage everyone to keep investing in that “Cap X” for yourselves, and reap the rewards. The IBBA is where the winners meet!

*Ron Johnson is Chairman of ABI Business Sales, Mergers & Acquisitions in San Ramon, CA. Ron is Past Chairman of the IBBA and Past President of the CABB, served 10 years on the Board of the CABB, and 6 years on the Board of the IBBA.*