

**2ND OPINION**

**Buy, Sell, or Stand Still and Get Run Over**

“What do I do now?” This is precisely the question business owners across the country are asking, whether they are the steward of a cash-rich manufacturer experiencing slow sales, or the owner of a struggling manufacturer who thought that these would be the years when he would play more golf or maybe even cash out altogether.

If hindsight is 20/20, foresight is godsent. We sit three years into a recession that few saw coming (in retrospect, how could it not have come?), with no clear insight as to when or how we will emerge from it. Most experts believe that the next two years are going to be flat at best.

*“Smart business owners are going to replace missing sales by acquiring them.”*  
 Ervin Terwilliger,  
 321 Capital Partners



**In a market where the big guys inevitably are going to get bigger, scale will make or break you.**

This time period will be known as a time of great consolidation in American industry. The cash-rich business leader is sitting on cash, but slow sales dictate

that he has excess capacity in his plant. Normally this business would deploy capital to expand production capabilities and thus grow the business. In a market where everyone has excess capacity, there is no point in expanding production. No one is going to issue large dividends to shareholders with as much uncertainty as found in this economy.

So what do you do with the cash? Paying down long-term debt with cash makes no sense when rates are at an all-time low.

Smart business owners are going to replace missing sales by acquiring them. Simply put, they are going to buy strategic companies that will allow for a customer grab, further diversification of their product lines, and product that can be run on existing lines.

This consolidation will present an opportunity for our ailing business leaders to explore a sale or joint-venture opportunity. Will the owners get the 7x multiples of years past? No, those days are gone. But they may be able to capitalize by being the first one to jump. In a market where the big guys inevitably are going to get bigger, scale will make or break you. The longer you hold out, the bigger they get, and the less they need you. Even if you survive, the big guys can buy better, produce more inexpensively, and eventually squeeze you out of the picture. Whether you are cash-rich or cash-poor, now is the time to look to acquisition or sale to adjust to the new normal. **PS**

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