BROKER
VALUATIONS, MERGERS & ACQUISITIONS

by Wayne Einhorn and Norma Rawlings

This article summarizes the topics discussed during a Mergers and Acquisitions workshop hosted by Wayne Einhorn and Norma Rawlings and attended by top brokers from all over the country. Topics include:

- *Setting yourself up for a sale*
- *Finding brokerages to buy*
- *Creating trust relationships*
- *Valuation multiples in play right now*
- *The 2023 marketplace*
- *The comprehensive letter of intent*
- *Negotiating deal terms*
- *The three waves of buying and selling opportunities upon us*

Wayne: Diving into our content today, I think where we have to start is we need to discuss the market and what's happening. What's happening in the market today we call the real estate Winter. What does the real estate Winter means in most markets? In Canada and the United States the market has obviously been compromised. There's a change in interest rates and a change in the volume of transactions. Interest rates are up and transactions are down.

So there are a couple of things that we know from our coaching business as well as our mergers and acquisition business. We predict that it is going to be a long real estate Winter because we don't think you're going to see a big Spring market. We think it's going to be a long Winter. And with all of our Inner Circle Broker Coaching clients, we've done some significant cash flow forecasting work to make sure that we have enough for this real estate Winter. What we have forecast is to ensure enough cash to survive the more difficult market.

Based on our work, we know going into the real estate Winter that 80% of brokerages are not currently profitable because they were plus or minus 5% on the profitability line last year. Some anecdotal information shows us that companies that had less than a 20% margin in 2022 will not be profitable in 2023. That means that those companies have to be well-financed and able to move through and survive, or they will fail.

Typically brokers don't forecast cash flow. As an industry we generally don't forecast cash. The lack of cash forecasting often drives how mergers and acquisitions happen in this market. Opportunities will migrate to relationships. So whenever there's a merger and acquisition opportunity it will migrate to where that person already has a relationship.

Let's get into conversation mode. Norma, from your expertise based on what you've seen with the work we've been doing, what's your prediction for mergers and acquisitions activity in 2023?

Norma: So all trends thus far show me that we're going to have a busier 2023 than 2022. There are two factors at play, Wayne. The first is the desire to retire, which we've seen for the last number of years, is accelerating. I foresee that will accelerate for the foreseeable future. The second piece, which is new, is what you spoke about earlier, which is the challenging market.

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People who are not sitting on cash and who are not expecting that they may have a very difficult next eight to twelve months are finding themselves in distress. They will find they need to sell or need to bring in a money partner of some kind in order to weather the storm. Those are the two trends that I'm seeing that I predict will make 2023 a busier mergers and acquisitions market than last year.

Wayne: It's interesting, we've often talked about what we call sort of the generational opportunity, being the large number of people that are at an age where they want to move on and want to sell or there are some who actually need to sell. North America's average age of a broker is 58 or 59, and Norma and I were talking about this the other day. In order to have an average of 58 or 59, there are some 40 year olds, but there are more 70 and 75 year olds. And so it's those people at the other end of that rainbow. Norma, those are the people that you're talking about. That's what has been driving mergers and acquisitions to date. And now, we have this whole new group of people that are economically motivated to sell or make a move.

Norma: For sure. So what we're finding is just in the last three days, we have four new customers on deck. One of them spends half of his year in Marco Island and half of his year in his home state, which is fabulous if you can arrange to do that. He's in his sixties and so he's looking to bring a couple of his younger agents on as owners. The plan is that they can manage and he can continue to sell and continue to do what he loves to do, but not be the point person. Obviously brokers work really hard. 80 hour weeks are not unusual, especially rolling into a market like what we're dealing with right now. So he's an example of someone who just needs help putting that deal together to facilitate him slowing down and younger agents ramping up.

We have another who's looking at the next two years. His wife is retiring and he is 63 years old and he wants to get out of managing his brokerage entirely in the next two years. He's looking for an outside opportunity to come in, maybe merge with somebody, and then those new owners can take over that responsibility for him.

> What's wonderful about the real estate brokerage industry is you can work until you die, but most people don't want to be working those 80 hour weeks once you get into your sixties, seventies and eighties.

We have people in their eighties and nineties who are still running their brokerage, but again, they are typically looking to pass the reins to the next generation and slow down. There are all sorts of people looking to bring on younger or different people to help them manage so they're not tied to their desk.

Wayne: Yeah. That's a great point.. There are a couple of the things that I want to unpack, Norma, about what you said. We didn't create a slide on this, but there are different types of succession, right? People think about selling their brokerage to a third party. And what you talked about is, hey, we have to sell to a third party. But another succession is internal succession where you find people internally to take a piece, maybe they operate for a while, and then they take a bigger piece. We've done a number of

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transactions like that to help brokers have sales associates move into ownership roles. What is essential about those transactions is you have to structure them in a way where if it doesn't work out, you can unravel it.

Norma: Yeah, totally. Because when you think about it, if you bring on someone whom you think is fantastic but they don't work out, that is a problem. Another one of our clients this week thought that this fellow in his thirties was the answer. And didn't he just up and leave last week along with his spouse.

Wayne: I love it so I find it fascinating. But there are all sorts of potential complexities when you bring someone on as a minority owner to try them out which makes the deal structure important. Norma is that deal structure expert. We were on a meeting with a group and I just left shaking my head when Norma found a solution that nobody could see. There were a number of shareholders on the meeting and at the end, one of the shareholders said, I vote, Norma takes over from here. And it was unanimous. I got fired. So it was a great call.

Norma: I work with Wayne because he flatters me.

Wayne: Let's go back to the market for a second because we're going to talk about good quality going concerns, poor quality going concerns, and bankruptcy transactions shortly, along with internal succession programs.

First, though, let's return to the market and the opportunities driving the market. One of the things that we looked at, based on 38 years of market experience, is cash flow. We asked "what does cash flow look like for brokers?" And where do we think the mergers and acquisition opportunities are going to occur? And we predict that there are going to be three Waves. There are going to be three Waves of mergers and acquisitions opportunity and three Waves of brokers getting into difficulties.

Wave one we're in right now. So people are starting to realize, hey, cash is down; transactions are down; interest is up; cash flow is down. So wave one we're in. During the Spring market, there will be a little uptick in most of the markets.

We review between 50 and 70 sets of financial statements every month. Right now, we're looking at all the January financials right now for all of our coaching clients. We are also looking at the dozens of valuation and transaction clients financials, but with them it is more historical, whereas the coaching clients, we get up to the minute.

So you may ask "How's it going?" And we see a little uptick in February from January, but it won't be enough of an uptick to take a lot of the companies that are underwater back to break even. And so those folks that are not well financed, they're going to move to the second Wave. They're hoping the Spring market will save them and when it doesn't, it will impact them psychologically as well as practically. When the Spring market doesn't deliver, that'll give us Wave two. Wave three will happen toward the end of the year.

It's interesting because when we talk about recessions, there are two things I want to put forth. One is for us here, recession is just another word for opportunity. So there are so many opportunities that are out there to grow your business, to grow your market share, through acquisition. And let's look at recession timing.

I want to change my language a little bit and call this a real estate recession because we've actually had five recessions since 2008 but none of them have impacted real estate. The last recession was in 2021 and it was the best year we ever had in real estate, right? But this market, I call this a real estate recession. Real estate recessions, if you look back historically, generally last two years. I feel we got into this real estate recession in April or May of 2022. I predict that we will emerge from it in the Spring of 2024 and that's likely going to be the timing of it. So if you're planning cash flow, that's what you want to plan for, right? Also, when we talk about strategies in a couple of slides, you want to be really mindful of how these Waves impact your strategy. You want to get yourself positioned in a place to take advantage of some of those strategies.

I want to change gears again. Norma, I want to bring you back in and start talking about what we're seeing in the market in terms of types of transactions. I'm going to put up the transactions. Norma, I'm going to ask you to comment on them. There are really three types of transactions that we see in this kind of market. The one is what we call a great quality going concern. And so that's one type of transaction. The next kind, the next transaction is the poor quality going concern. And the third is the bankruptcy acquisition. And we probably see many more of two and three right now than one, although we do see one. But Norma, I want to turn it over to

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you so you can walk us through those three types of transactions that are hitting our desks right now.

Norma: Sure. So I'm going to start with the red one, the bankruptcy acquisition. Challenging, and obviously anyone listening doesn't want to be dealing with that unless you are on the side of trying to poach the agents that are going to be left without a place to be. The challenge with running out of cash, as we all know as business people, is that you don't have options. All of a sudden you get shut down and your agents are untethered and it's a free for all. So that acquisition piece is very disorganized, chaotic, and hard to manage.

I'll next talk about the great quality going concern. If you think about a great quality going concern, you're talking about a brokerage that has a 25% or more margin, stable, steady profitability, and some cash in the bank. Wayne and I are dealing with one such broker right now, and he's done a great job between 2021 and 2022. His firm has remained stable, rolling into 2023. He's looking to exit his older partner and bring in a younger partner. So that sort of brokerage is really well positioned to purchase, first of all, but also if you are selling at this point, and that's the type of brokerage you run, you are valuable.

As a buyer of that type of brokerage, you no longer have twenty other buyers lined up to compete with you. So for someone looking to acquire, let's say 50 great agents and grow their recruiting by acquisition, your great quality going concern right now is a wonderful option. It may not be any cheaper than it was before, perhaps a bit. The key difference is that the deal structure's more flexible and you're not competing with twenty other people who have the cash to buy it. Taking that point of view there is a huge opportunity. If you think about the great quality going concern, it's your best property on your best corner that's going to be valuable all day long.

The third type of transaction, where Wayne and I are seeing a lot of volume, is the poor quality going concern. That's with people who have had a tough six months and don't have a lot of cash. What was maybe a profit last year is looking like a loss this year. They're looking around saying, what are my options? And those opportunities are plentiful this year because of the market. The overlying market drives our business. It drives the real estate brokerage business. They say, a ship goes up with the rising tide but right now we're going down. So it's that poor quality going concern that is in abundance this year. A lot of brokers are in that position right now. What's interesting is if you have some cash, you can pick up a bunch of really decent businesses with some good agents now.

Wayne: Yeah, awesome. It's interesting because if I look at that list and consider options, oftentimes I think we as owners want to get a bargain. I'll use that sort of in air quotes and we think about a bankruptcy acquisition as best. We did a number of those with the Corcoran Global Living Collapse, where we acquired offices, we acquired space, we were able to pick up some managers, but as a norm, it's very hectic and chaotic and we don't know what the outcome's going to be.

Now, we didn't pay a lot. We paid some back rent and so forth. But it's not ideal. It's really we're not paying a lot, but we're really rebuilding a business. And I think the difference between sort of that acquisition and the great quality going concern is significant. The great quality going concern is that real estate motto of location, location, location. If I secure a great property, I'm happy to pay.

Norma: Oh, absolutely. And obviously if you're buying a business that in this environment is doing a 25% or more margin, they have some good practices in place; they have some policies and procedures; they have good agents; they have stability; they have a history of success and a steadiness that you're happy to pay for because it will continue to do that if you continue to run it well. So it's not a matter of a discount price so much as more flexible terms for those right now.

This results because you don't have the number of buyers looking to buy them so there isn't as much competition. Yes and it's interesting that a couple of the ones that we were working on this week are in the million five to two million dollar range. Their change between 2021 and 2022 is less than five percent, which is impressive.

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Wayne: Yes. It is amazing in this market when you think about how much the market is down between 2021 and 2022. Our participants know that this is a really challenging market. If you're able to stay stable or even be just down three to five percent you're doing really well. I think the message, Norma, is that those properties are out there.

Norma: Yes, absolutely. And it's what we talked about before, that desire to retire. One of our customers, he runs a fabulous shop. He's really top drawer. He does coaching, does training, does recruiting. He's fantastic. But he is 63 and he doesn't want to be doing this when he is 65. And that's completely understandable because he has been in the business for 40 plus years. So he runs that sort of shop where it is a great opportunity to acquire. The other nice thing about people like him is if they've had success and they don't need the capital piece up front, they are prepared to wait five years to earn out. When you're considering acquisitions, it's a wonderful situation to have a low down payment up front. Buyers want that because you don't have to come up with a large down stroke.

> **Wayne:** It's back to that location, location, location. It's hey, you got the best location so I am happy to pay. As you said, I didn't have to line up behind twenty people and the seller even offered to finance it because he wants to sell. Yeah. That's awesome. And typically, he doesn't want to just disappear. He wants to transition out, right? He's going to mentor whomever comes in and takes over his business. He's going to be around to answer questions after the transaction closes, because he loves the business. He no longer wants to work that 80 hours a week and have the stress of running it, but he wants to stay involved.

I think it's a good transition to a slide that we put together called Positioning Yourself to Win. I'm going to go through five milestones and then we'll go back and talk through them. But there are really five milestones to any successful merger and acquisition conversation. And the first one is what we call getting in relationships. When people consider selling and buying, people think about what Norma and I have been talking about - pricing and deal structure and all of that. And that's important obviously, but people think the most important commodity in a transaction is money. The reality is that we cannot get to that pricing conversation if there isn't trust. And so we know and we teach the most important commodity in a transaction is trust.

One of the reasons that relationships are really important is when people call us, they're usually gung ho, all engines going ready to sell. Perhaps they're out of cash. It could be a motivator, like they just want to go, but when they decide it's go time, they want out quickly. If you don't have a relationship with them you're out of the game, literally. They rarely call us and go, oh yeah, I'm thinking of selling in 2024 or 2025. It's more "Hey, we want out now." We're working weekends to get things done because they've got a fast timeline. So getting in relationships is really important.

The second part, once we have a relationship and somebody identifies for us, "Hey I'm thinking we've got to do something" for whatever the motivator or for whatever the reason, we then enter in preliminary discussions. The background for the preliminary discussion is always win-win or no deal. We always coach people, "Hey, we have to have a win-win conversation.It's not a conversation about, Hey, I'm getting one up on Wayne, and mine can't be, Hey, I'm getting one up on Chris.. And we always talk about it in this vein or this background. We're not playing poker.

As Norma said earlier, these relationships last for a long time. It's not like I'm closing the house and Chris shows up and the light switches are gone, and I took the garage door opener and he is mad at me, but who cares, right? Chris is smiling. He's heard it before. At the end of the day, we're transacting and we're entering into a relationship that lasts usually years.

Norma: Yes, and to that point, Wayne, what's really interesting in our business is that a broker owner who spent the last twenty, thirty or forty years building his or her business is less likely to sell to someone who's going to pay them more if they don't have the same character and values as the buyer. It's a fascinating dynamic because what you've built is like one of your children, right? I have four kids and your business is your fifth kid, right? Whatever you've built is your fifth child and you don't want to sell to someone you don't trust. With most of the people we deal with who are sellers, price is not the most important component.

It's an important component, but it's not the most. The most important is what Wayne talked about, being that relationship of trusting the person that you're proposing to do business with, and believing that their character is in line with yours and compatible.

Wayne: It's interesting. We've seen deals with little money down where we fear that the proposal is never going to fly but it does because of trust. There's not a lot of money on the table but the transaction is agreeable because of great relationships. In contrast, we've seen deals with millions on the table that hit the ditch because there's no trust. Yeah. It's really important. That's a great summary on preliminary discussion.

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Once we have a preliminary discussion, we figure out what win-win is. I'm going to figure out with Chris what he'd like out of this and he's going to figure out what I want. We're going to put down maybe some bullet points. Usually at the preliminary discussion stage is where we would prefer you engage a professional, whether it's us or somebody else. Engage a professional because you need to really start the conversation of what the deal structure and letter of intent is going to look like. If we get involved early, then we can start to determine if the transaction is viable because the next milestone is we need to create a deal structure and a letter of intent. Many times it goes back to that idea of win-win or no deal. I'm thinking of one transaction, Norma, that we worked on this week where there are four stakeholders. Norma had a call with every one of them both with all of them together and then individually to find out what each one of their objectives were. And then Norma had another call with them to say, okay, based on my findings, here's our recommendation for a deal structure.

Norma: One hundred percent. They've been trying to work something out for months and months to no avail. Once somebody who has some experience comes on scene and can say, okay, let's get everybody's goals right out there, then we can start to move towards a meaningful letter of intent and a deal structure or determine the transaction is not going to work. It was interesting with that group because all four of them said to me on the phone, it's been five months and we don't know what we're talking about. So it's a lot of fun to speak to the individual to figure out their objective. What do you get out of this? Why would you want to do this? And then it helps you structure a deal that is mutually beneficial.

Wayne: Excellent. So our goal with the deal structure and Letter of Intent is that we've taken the deal to a place where we can hand it off to an attorney. The attorney generally does the share purchase agreement or the asset purchase agreement depending on the type of sale.

Then we would be involved with some due diligence. Thereafter we'll check the share purchase agreement or the asset purchase agreement to make sure that it conforms to the Letter of Intent and that it's what we wanted. Then we've handed it off to the attorneys for closing. We would jump back in with what we call the closing and transition strategy. And it's interesting that over the years I've heard horror stories and for fear of jinxing myself, I always hate telling this but I have never had a horror story on transition. The reason is we have a system for closing and transition that is proven and that we've implemented time and time again. It's probably the part of a transaction that is often the most overlooked because emotionally we're all invested in the deal terms and once the deal is papered pending closing, everything seems easy. Then all of a sudden, the day before closing, we're going to announce it tomorrow and one of the seller's top agents calls him and goes, Hey Peter, I heard you're selling and Peter's caught flatfooted. This happens when we don't have a script and we don't have a strategy, and boom, we're in the ditch. And so the closing and transition strategy is really important.

Norma: What Wayne and I find is if we spend the time on the deal terms so that they're as clear as we can make them, it dramatically reduces the legal fees, but it also ensures that everybody's on the same page. Then you roll into due diligence. And to Wayne's point about pre-closing checklists, closing, and post-closing checklists, Wayne and I have developed them to address stuff that you wouldn't necessarily think about but you have to.

Inevitably, Murphy's Law says something's going to blow up just before closing and you need to know what your plan is when that happens to deal with it. Communication in your industry is critical. If you tell your closest agents that you're selling, you can bet your bottom dollar that is going to spread like wildfire and you're going to lose control of that message. That can be disastrous when you don't control the message. So the process is a lot of fun but the key is clear deal structure and then the pre and post-closing checklists that we roll you through. Those are the tools that ensure the highest percentage of success in closing the transaction.

Wayne: Awesome. So everything we talked about above is the strategy.

Now, I want to just go to a question slide and open it up. Then we'll come back and give you guys some resources. So, are there any questions on deal structure and transactions, transaction strategies and valuation metrics, and any of the things that are going on in the market today?

Dwight: Hey Wayne, quick question for you. This is Dwight in Cleveland. I'm able to go on broker metrics and find out offices that have had down years and obviously that might be a target for building relationships or who may be friendly targets. I want to know how to identify acquisition prospects.

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Wayne: It's a great question. In our experience, you shouldn't assume down and out always matters. Look at Corcoran Global Living. That's just the most recent large one. They had 2,600 agents and 200 offices, some in Columbus, most in Northern and Southern California. If you were to talk to the folks at Realogy the week before, they would have told you they were the best franchise in the system. And then we wake up in the morning and we're all shocked that they have failed. Like I'm talking to Peter, did you see the announcement? I can't even believe that. So there is an opportunity for companies that are declining. Dwight certainly, but I wouldn't limit myself to them.

And I think what's really key in that conversation when you're talking to people is we're not calling because we want to buy their business. If I'm calling to say, "Hey, Dwight, can we meet. I'd love to talk to you in case you were ever thinking of buying or selling," that will likely fail. It's like phoning an agent and saying, "Hey, Dwight, I'd like to recruit you."Dollars to donuts, the agent will say, "hey, I'm happy where I am" even if just that morning that broker had a conversation with his wife over coffee and said, dear, I'm selling, I've had enough. The reason they will surely reject your overtures is that they don't have a trust relationship with you.

Norma: To your question, Dwight, what we are seeing is that a lot of brokers, if I were targeting in your area, I would look at brokers who don't have children in the business, brokers who are a little bit older, brokers who are maybe struggling. Maybe there's a health issue. Maybe there's a life change. We had one recently. A guy got married and decided, I'm not running my brokerage anymore. I'm going to spend my time with my wife. So having the relationships within your industry to know who's doing what, who's thinking, what trends are going on in their lives and in that business, that might provide an opportunity.

And to Wayne's point, if you spend the next twelve months creating some of those relationships or the next six months, there will be opportunities. There will be opportunity because we're just seeing too much volume right now. It's only Wednesday and there have been four that have come to us and said this is what's going on. We need some help. But the trend is somebody looking to retire; somebody looking to bring on someone to manage full-time because they don't want to do that anymore. Perhaps personal issues like illness or marriage or whatever else will make them think they want to do something a little differently. They may be struggling and need somebody to come in with some cash. So I would say if you're targeting your market, those are some things to look for and then create the relationship to open that conversation.

Wayne: Thank you. Great stuff! Other questions?

George: This is George Perez from Re/Max. I think it was Norma that kind of hit the nail on the head about controlling the message that is being sent out when it's coming time to close. Because you get a lot of brokers that are going to say "I just need to tell a couple of my agents, so I need to discuss with my agents." And that's when the wheels fall off the bus. I always cringe when brokers say I want or I need to talk to my top people.

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Norma: Yeah. And George, even your spouse, right? I have four kids and a husband and you're controlling everybody in your household that they are radio silence. Because the minute even one of my sons tells a buddy he plays hockey with, you know word is going to travel. Inevitably it blows up the day before closing where you have to deal with that message. So it's interesting for us because we're solving problems, but if you're selling or buying, you don't want to deal with that.

Wayne: Loose lips sink ships. So you have to say: is it your business or is it their business? You have loyalty to your top people one hundred percent. You wouldn't have grown what you've grown if you didn't. But you have to remember that the overriding objective is a smooth transition so that you can maintain the success of your existing operation and your new operation. So that's your objective and that ultimately helps your three or four top producers more than something becoming public before you want it to be, and potentially losing agents typically of the company you're acquiring, right? George, we have a choreographed list minute by minute of what occurs from a communication standpoint. And I'm thinking of one that we had where loose lips sink big ships. The sellers wanted to stop at the bank and change the accounts over the day before the closing and we're going, no! Or the broker says "the bank wants to know what the appointment's about." No. Tell them we'll tell them when we get there. Because I don't know who that banker's husband, wife or kids may tell. "Oh, my son works for George. This is interesting." And it has to be choreographed by the minute, who are we talking to. Here's the communication strategy. And we also have a plan, George, for when it does happen, how to deal with it.

George: But again, there's no magic bullet. You just have to try your best to be as prepared as you can be and then let her roll, right? You can't control if your wife or husband tells somebody they're not supposed to. There's not a lot you can do to put that back in the barrel. I did a conversion where I took this top team out of a company. And they were like, oh, we're going to tell our broker. I'm like, no, don't tell your broker. We're really close friends with him. Okay, he'll be happy for us. I'm like, I'm telling you, do not do it. Okay. Then they ran their mouth and then a week and a half later they got fired. Everyone understands that you feel badly keeping things from people, right? Because you have all sorts of people you trust in your business. You feel badly, you feel like you're deceiving them, but on the other hand, the overriding objective of the smooth transition insists that you have to not tell anyone. We have to have complete agreement on the communication strategy.

Steven: If somebody asks you flat out, how do you guys suggest that you handle that?

> **Wayne:** We have a whole communication strategic plan, Steven, so it's tailored. So when you do the transition, if that happens, we have a script that is appropriate to the situation where we're not being untruthful. But by the same token, we're being specific. We're able to communicate. But we do give you specific communications for those kinds of situations.

Norma: But it's challenging Steven, because you have trusted advisors around you. There was a general who said any three people can keep a secret if two of them are dead. And that's the theory, right? we know how juicy a secret is in this industry. I remember dealing with a realtor and I loved him. He was an Irishman. But you would literally say: if you want everybody in the industry to know by dinnertime, tell him first thing in the morning "this is top secret".

Wayne: Awesome. Any other questions?

Peter: The only thing I was going to ask earlier, Wayne, is when you are looking at valuations today with the shifts in the market, the changes, looking at the multipliers, how's that changed over the course of the last year and where do you see us being now and over the course of 2023, based on your projections of the three Waves?

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Wayne: It's very interesting. Norma and I were talking about that with a group last week that I jumped on a call with. If you look at the three types of transactions, Peter, the good quality going concern or the great quality going concern, I should say, the multiple really hasn't changed. Because really the multiples based on a discounted cash flow around a risk premium, right? I think Norma was talking about this transaction where we had less than a 5% delta on their company dollar betweem 2021 and 2022. You look at it and say, "Hey, there's minimal risk to this cash flow." Now that being said, Peter, sometimes the deal structure is different.

Norma: Yes. So your multiplier might still be three and a half, but you're putting less cash down. And that's a huge incentive, obviously because it allows you to buy more brokerages faster and to take advantage of opportunities. So that's what we've seen with the great quality going concern, because they don't have to sell it. If they don't have to sell, but they want to sell, they are sometimes more flexible on payment terms, like this 63 year old who wants to be out of it by 65. He's so flexible on terms, but not flexible on price.

Wayne: And to Norma's point, Peter, buyers are cash averse. We always say cash is king and cash is the score, how we keep score in the business. The trouble with cash is when you run out of it, they kick you out of the game. So people are really cash averse right now. But to your question, Peter, for the ones that are struggling, it depends on where they're at in the struggling piece, but there's definitely a discount for those. Because if somebody's running out of cash and knows that they've got three more months of cash, and if the Spring market doesn't kick in then they're going into bankruptcy, they're much more motivated to sell. They often will want their cash up front, but they'll take one or two times multiple rather than the three and a half that the great going concern is going to want. Those guys are more vulnerable. So I would say the price difference for that group is significantly lower than it would've been last year, the year before, because they're going to run out of cash. And in the fire sales, those are completely different animals altogether. But that's what I was looking for.

Peter: My takeaway is that for the great companies that are ongoing concerns that are solid, the multiple may stay the same, but the terms may change a little bit because of the nature of the market, or that's what you're seeing. So that's one hundred percent.

Norma: There again, it's just the reality, right. If you run a great company and you know it's going to continue to provide you with cash flow, then you're not desperate to sell. You don't have a gun to your head to sell but you want to retire. You don't want to manage the company in two years. So you're motivated and that's what Wayne and I were talking about where relationships are key. If you already have a relationship with the person, like if your dad and their dad started brokerages 40 years ago and you've known them forever, you have such an advantage because you can walk in and say, "listen Larry, I'll pay you over the next seven years, whatever money you want, but there's only going to be $50,000 down." That's what we're seeing.

Wayne: Awesome. I want to change gears and offer up some resources. Lindsay, can you post the Calendly link for everybody? One of the things that we've done is created some capacity in our calendars. Mergers and acquisitions conversations are happening. We have created some resources, podcasts, blogs and those things. But what we find most valuable often times are really one-on-one conversations. Maybe there's a particular transaction you're thinking of, maybe you're thinking of selling. It's not necessarily a group conversation. And so if we can be of any help, you can clip and paste that Calendly link that Lindsay put in the chat and click on it. There'll be some some availability there in Norma's calendar we've got up and we're happy to provide some free consultations to help you with anything that you're working on right now.

So to summarize, we believe there is a generational opportunity to

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buy great brokerages right now. If it was a generational opportunity coming into 2023, 2023 just put it on steroids with the struggling economy. And if you're in the market, you may be thinking, God, I wish it was over. Trust me, it'll be over before we know it. And those opportunities will be gone. And I think, when 2024 comes, we'll be back to bullish times. So it's a real opportunity to either get out or to grow. As Dwight was saying, what we should all be doing is putting together a strategy and putting together a target list. Let's start talking to people and start executing our mergers and acquisitions strategy.

Thanks for listening.

Wayne Einhorn | CEO   wayne.einhorn@brokervma.com

Wayne Einhorn is an internationally renowned speaker, C-Suite executive, Performance Architect, and board member who has been involved at all levels in the real estate business for thirty-five years.

Wayne started his first business venture at the age of sixteen and progressed to the real estate and mortgage industry at age nineteen.

From selling to leading large companies to brokerage ownership to consulting, Wayne's unique approach to the business has kept him at the top of the industry throughout his career. After selling his successful multi-office brokerage firm, Wayne pursued his lifelong dream of completing his MBA at the prestigious Richard Ivey School of Business at the University of Western Ontario.

He has also assisted hundreds of brokers through the valuation, merger and acquisition process and has co-authored a best-selling book called "Are You Undervaluing your Brokerage."

Norma Rawlings | President   norma.rawlings@brokervma.com

Norma Rawlings has a B.A. in French, a J.D. in Law and an MBA in business administration. She has spent the past 21 years in the real estate industry in various capacities from commercial and industrial developer to multi-residential builder to portfolio owner to property manager to strategic asset management. She has rarely met a problem property she didn't want to fix.

With her legal and business background, she has consulted over the years to numerous companies and individuals looking to sell their businesses. She brings a mediator's mentality to the table and enjoys helping people plan their own succession and organize the sale or purchase of their business in a mutually beneficial fashion. She believes that finding the right fit between buyer and seller is critical, and she does her best to ensure even difficult issues don't devolve into conflict.

When not working, Norma can be found in the pool doing laps, at the rink watching her boys play hockey, in the barn watching one of her girls ride, or in the gym watching her other daughter do gymnastics. She enjoys exploring then writing about her adventures, and always appreciates a good book.

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