

2018: A good year to sell?

Entrepreneurs come back after Christmas deciding this will be the year they make life-changing money selling their business

- Words by Steve Monnington

When people discuss the sale of their business they always ask: “What are the current multiple of profits being paid for exhibitions?” It’s not a one size fits all answer. When private owners consider the right time to sell, they must examine three main factors: the specifics relating to their business, general market and economic conditions, and the acquisition strategy of the companies who are buying.

Is this the right time for my business?

Entrepreneurs worry about selling while profits are increasing, but what gives a business most of its value is future growth. The nature of annual exhibitions means owners often put off selling for another year when the next show takes place, especially when the re-sign often means the majority of the revenue is booked on-site for the following year (why should someone else reap the benefit of their hard work?). This cycle can continue for years, but if the seller wants a good price, it’s crucial to leave growth for the purchaser. Once that upward revenue

curve starts to flatten out, it’s too late.

Is it the right time in terms of the economy and world events?

In the US and UK (accounting for 32 of the 63 transactions in 2017), economic downturns haven’t had a discernible effect on acquisition activity. Arguably, a downturn actually increases demand for acquisitions for larger organisers needing to sustain growth.

Economic and political conditions become a factor in emerging economies. Brazil and Turkey had their time of high acquisition activity – as most international organisers created joint ventures with local organisers – and the market there internationalised over a 4-5 year period. Brazil’s subsequent economic slump and the geographic position of Turkey, in relation to terrorism, have killed acquisition activity.

When we consider the effects of terrorism, the only significant dip in worldwide acquisition activity came after 9/11 when the world stood still and there were virtually no acquisitions for eighteen months while we tried to digest what this meant globally. It’s a sad fact that terrorism is an everyday

event, and that we take each new atrocity in our stride and just get on with developing our businesses.

Is this the right time in terms of acquirers and their plans?

Multiples are higher today than for a long time, driven by the high number of buyers chasing a relatively small number of businesses. The buyers driving acquisition activity have changed over the last five years. In 2012, Reed and UBM were involved in 23 of the 69 reported transactions. In 2017 it was seven out of 63. PE-owned organisers, like Emerald, Clarion and Comexposium, are now making the running. The investment period for PE firms seems to be getting shorter and, as the organising businesses that they buy and sell get larger, more capital has to be deployed in order to make the required return on investment. The growth in profits to achieve such a return can only come from acquisitions – therefore competition for each business that is for sale is now very high. There are also a large number of PE firms wanting to enter the exhibition sector.

There is a combination of circumstances making 2018 the ideal year to sell. A lot of committed buyers, relatively strong economic conditions in the world’s major economies even ahead of the uncertainties around Brexit, and good growth in most exhibitions generally making it one of the preferred sectors for investment. What remains is for entrepreneurs to take advantage of this and make that life-changing money. **EW**

