

ABC.
Business Sales

TIME TO SELL YOUR BUSINESS?

Sell it right.



SELL IT RIGHT.

It's time to make that change and realise your goals. To get the best price for your business in the shortest possible time, you've got to "sell it right".

ABC.
Business Sales

Awarded ★★★★★

New Zealand's #1
Business Brokerage

2010 - 2015

Real Estate Institute of New Zealand
National Awards for Excellence

And to help you do that, we at ABC Business Sales have put together this guide. It captures some of what we've learned from successfully selling businesses right across New Zealand since 1986. This understanding of how to 'sell it right' is one of the reasons why we're this country's No.1 Business Brokerage.

Every business has its own story to tell. We'll help you articulate what's unique and valuable about yours and highlight this to potential owners.

You know your desired outcome.
Working with you, **we'll take you there.**

To sell it right, you've got to:

1. Ask yourself the right questions.
2. Set the right price.
3. Do the right preparation.
4. Find the right buyer.
5. Get the right offer.
6. Avoid 6 mistakes.

SELL IT RIGHT.

The very first question you should ask yourself is, do I really want to sell?

The answer shouldn't include a 'maybe', or a 'might'. You have to be motivated and committed. The process requires the same level of drive and focus you've applied to building your business up until now.

Why am I selling?

When you have a good reason to sell, you'll be more focused and more likely to get a sale. You may be keen to retire or you may have a change in health, business relationship or personal affairs, or you may simply want to realise a capital gain on your investment and hard work.

Am I willing to use the help of an expert?

It's well worth considering because when you think about it, you'll probably only sell a business once or twice in your lifetime, but our Business Brokers do it every day. They've been there, done that and know all the "ins and outs" of what can be a rather complicated process and can act as your guide with expert advice. We will bring the element of rational perspective a professional brokerage offers.

Am I willing to meet the market price?

This is important no matter what you're selling. When it's your business, something you've built up over time, your idea of its worth can be quite different to what the market thinks. That's why it's vital to do your research and get good advice. If you're realistic with your asking price, you'll sell much more quickly.

Do I have accurate and up-to-date records?

Anyone wanting to buy your business will want to look at your financial statements, your lease documents and any other important paperwork, just as a car buyer looks at the service history of a car. So be prepared and have everything ready leading up to when your business goes on the market. You'll look far more professional and speed up the selling process.

Do I have realistic time expectations?

Don't expect a sale overnight. It may take time to identify the right buyer, to negotiate the best deal and to satisfy any conditions of sale. Be patient and don't appear desperate or over anxious.

Have I picked the right time to sell?

The best time to sell your business is just before its peak. Your business will look far more attractive to a buyer while it's still showing signs of growth. What's also important is to give yourself lots of time to get it ready for sale. So as soon as you start thinking about selling up, start planning for it.



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SET THE RIGHT PRICE

It's not easy to put a price on your own business. You've got to keep your emotions at bay and that's easier said than done. That's why it's wise to get in an expert - a Business Broker.

A Business Broker will set a price based on all industry best practice including:

- Profitability
- Industry trends
- Company history
- Equipment value and condition
- Capital requirements
- Barriers to entry
- Intellectual property
- Employee stability
- Owner's involvement
- Staff capability and skills

Establishing a fair price, that's in line with other businesses for sale, will help get the result you want. An experienced Business Broker will know the market conditions and the current values. And who knows, the price you get may be even higher than you are expecting.

What sort of information should you provide?

You'll need your financial records for the last three years or more, so that buyers can readily see where your money is coming from and where it's going. You'll be expected to show the value of any real estate and plant and equipment you own.

Prospective buyers will also be interested in your competitors, the markets you operate in, and will want to know what's happening locally, nationally and internationally for businesses like yours.

How do buyers price your business?

Buyers will put in an offer based on a range of things. These could include the value of the assets in your business, its cash flow, gross revenues and annual growth.

The sale price is often a multiple of the business's profit and varies from industry to industry and from business to business. The multiple will be considered whether the buyer is an individual looking for an owner/operator role, or a larger organisation searching for strategic acquisitions.

Put a Business Broker to the test

If a Business Broker gives you the right answers to these questions, you're on your way to saving yourself a lot of time and/or money.

1. How many specialist brokers do you have in your company? The more the better.
2. How long have you been in business? Experience is everything.
3. Do you have a digital marketing strategy?
4. Do you prepare a business profile as part of your marketing strategy?
5. Do you publish a magazine?
6. How will you market my business?



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GET READY, GET SET, GET SOLD

The better your business is prepared for sale, the easier it is to get a good price in a shorter time frame. These tips on what to do, what paperwork to have ready, and who to get to help you, will quickly get you up to speed.

► Prepare your basic 'To do' list

Track your sales in detail. Do it by product, service, and method (repeat sales, through advertisements, promotions, specials, etc). Know your marketplace. Take copies of articles about your industry, your competitors and your customers. Understand your outgoings.

Be ready to explain changes in sales or cost of goods, as well as unusual or one-off expense items. Keep track of all your costs. Be able to itemise your salary, benefits, profit sharing and any other perks you take out of your company.

► Get your paperwork in order

Having all the paperwork ready for your accountant and your Business Broker is really important to achieve a timely sale. But remember, you don't have to reveal everything at once to a prospective purchaser. Certain confidential records, contracts and statements will not usually be shown to a buyer until an acceptable offer, or letter of intent, has been signed by both parties.

The usual documentation you'll need is:

- Comprehensive financial statements for the past three years
- A current Year To Date income statement
- Records of accounts receivable and payable
- Details of any mortgages or loans owing
- An inventory of all plant and equipment being sold
- A schedule of any equipment leased
- Contracts with existing customers or suppliers
- Any patents, trademarks, copyrights or licence agreements
- Employee Contracts

► Some helpful hints

Be prepared to recast your financial statements. Many small businesses show little profit. That's good for tax purposes, but not so good when working out the value of what you've built. You want to show buyers your business in the best possible light.

So have your accountant recast your financial statements to reflect adjustments for what you take out of the business in terms of salary, health care, car expenses and other perks. This can be especially useful when dealing with a buyer who wants to operate the business as an owner/manager.

It's also important to deal with any potential stumbling blocks at the beginning of the selling process. These can include non-assignable leases, contracts, licences, supplier agreements, and key staff arrangements.

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Small improvements can make a big difference

You can make quite a few small improvements that add up to a big difference at sale time. They can range from tidying up the premises and keeping more accurate records, to reducing the level of stock and selling redundant plant or equipment.

On this point, it's often best to cash in unneeded stock, plant or equipment if it is not beneficial to the business. The more profitable your business, the more valuable it is to a buyer. Have a chat with your accountant or your trusted Business Broker and find out what else you can do to improve your profits.

It's not all about you

Nobody will want to buy your business if they think it could possibly collapse the moment you walk out the door. Buyers need to be reassured that the business will survive a change of ownership.

So how do you know if your business is overly reliant on you? Ask yourself these questions:

- **When customers call, are they calling for you or is it your company name they identify with?**
- **Could any one of your qualified employees handle their needs as well as you can?**
- **Are you the key performer, or the only one to provide the service or product your customers demand?**
- **Can you take a two week holiday and feel satisfied your business will run smoothly without you?**
- **Are there systems in place that cover the day-to-day operations or technical aspects of the business?**

If you're thinking of selling your business over the next few years, now may be the perfect time to let your employees take a greater role in running your company. This will help to insulate your business and allow for a more successful transition to the new owner.



GOOD

BETTER

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HOW TO FIND THE RIGHT BUYER

You're 100% serious about selling. You've settled on a fair asking price, and you've prepared everything you need for prospective buyers to get a positive feel for your business.

Now all you have to do is find the right buyer. The problem is knowing where to look. You could use your contacts within your industry and check out if anyone is looking to buy. Or you could start searching the internet for likely prospects. Either way you would only reach a very small percentage of potential buyers.

Professional Business Brokers can do all of the above for you and much more. They can plan a complete marketing campaign that will put you in contact with qualified prospective purchasers and can assist in the discreet search and screening of strategic buyers. They can also use their database of business contacts to directly target the right kind of buyers for your business. Good Business Brokers will also have a business sales catalogue, a website with high visitor traffic, an email database and strong, proven marketing strategies.



It pays to keep things confidential

When you're selling up, you want everything to be business as usual. If employees or customers are uncertain about the future of a business that's for sale, they could begin to look elsewhere. It's usually best to wait until the deal is as good as done before key employees are told of a sale.

To help keep things confidential, specific information about your business should be revealed only to qualified prospective buyers after they have signed a confidentiality and non-disclosure agreement.

So who is a qualified buyer?

Someone who can demonstrate:

- A genuine desire to purchase your business
- The financial capability to purchase
- The qualifications and resources necessary to run your business
- The willingness and ability to complete the sale in good time

Once a potential buyer has signed a confidentiality and non-disclosure agreement they may see the following information about your business:

- A history of your business
- An overview including information about your company's products and services, operational information, and personnel structure
- Information regarding your market, including customer mix, competitors, industry trends etc
- A list of fixed assets included in the sale
- Information regarding your premises, including lease terms etc
- Statements of financial performance and position, and details of any liabilities to be assumed (eg: equipment leases)
- Details on the price, terms, and sale structure under which you are offering your business for sale

How to deal with offers

By this stage, you've screened interested buyers, had them sign confidentiality and non-disclosure agreements, and shown them the relevant information about your business. Now it's time to get some offers on paper and negotiate them into a conditional sales agreement.

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What can an offer include?

Typically, an offer will include a price breakdown (assets, goodwill and stock), a settlement date, and terms and conditions of sale.

What about conditions of sale?

Most offers will also contain certain conditions that need to be completed within a given time. These are especially important as all conditions need to be met before your sale becomes unconditional.

Some of the most common ones are:

- Verification of financial and operational information (due diligence)
- Satisfactory equipment inspection
- Satisfactory lease transfer arrangements
- Compliance with licensing and regulatory bodies
- Approval of finance
- Solicitor review of leases and contracts

What can you do with an offer?

Remember, an offer may be accepted, rejected, or modified and presented back to the purchaser as a counter-offer. Until agreement is reached by both parties either party may withdraw their offer.

In considering an offer, be sure to evaluate the purchaser's qualifications, financial position, and method of securing any payments to be made. A good price from a risky purchaser may not be the right solution.

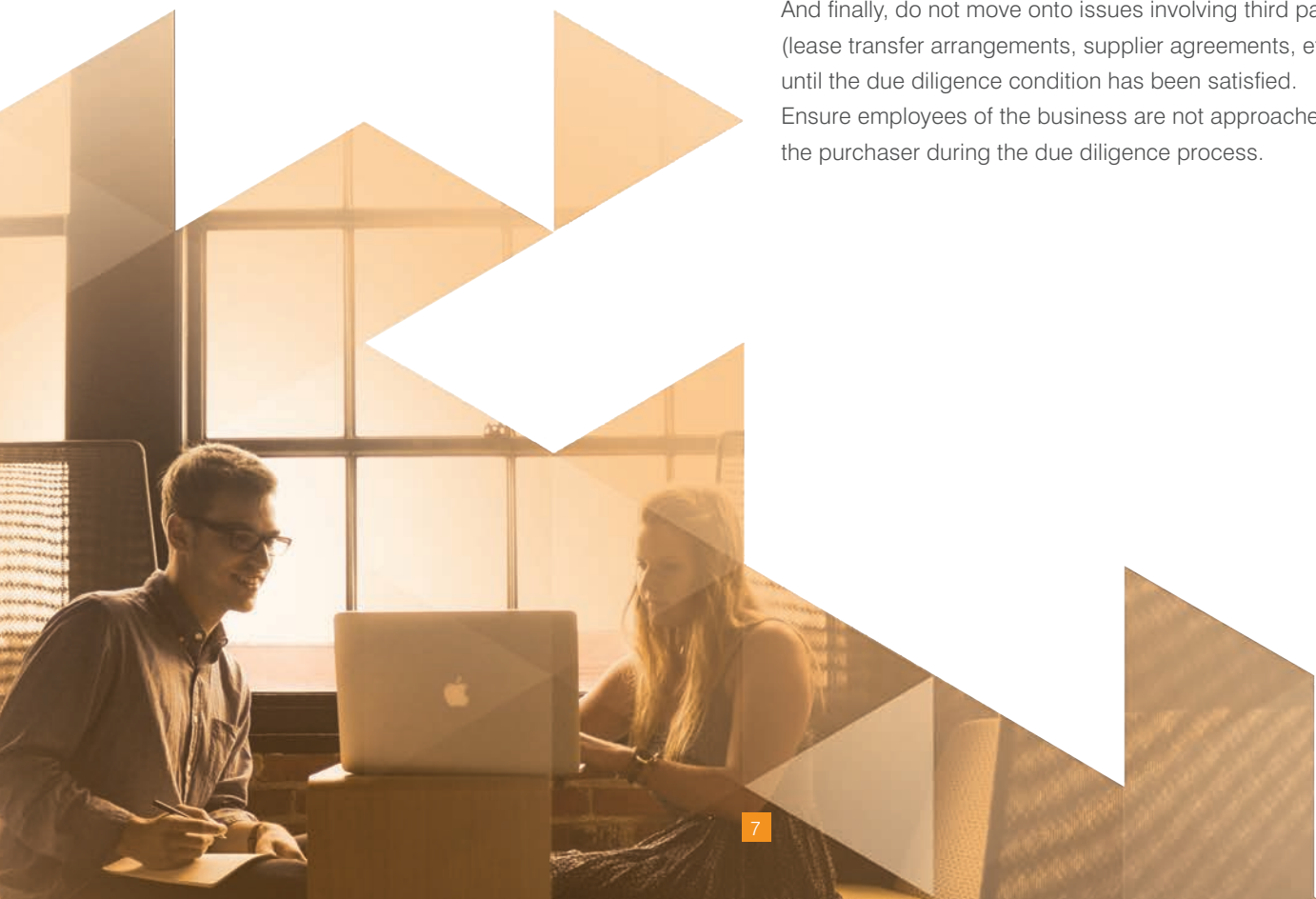
Your ABC Business Broker will advise you on how best to handle contract negotiations.

About due diligence

Don't allow due diligence to be performed until an agreement has been confirmed, signed and dated in writing.

Have clear time frames for the due diligence process. A time in which necessary information will be provided, and a time in which due diligence will be completed keeps the sale moving along.

And finally, do not move onto issues involving third parties (lease transfer arrangements, supplier agreements, etc) until the due diligence condition has been satisfied. Ensure employees of the business are not approached by the purchaser during the due diligence process.



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6 MISTAKES TO AVOID

There are some very common pitfalls when selling a business.

Here are some to look out for:

1. Not allowing yourself enough time to find the right buyer.

Be patient, analyse the feedback and be realistic.

2. Not controlling information.

Remember, confidentiality is vital to maintaining the stability of your employees, customers and suppliers as well as your reputation in the industry.

3. Failing to be prepared.

You need to have complete, accurate and verifiable financial information ready to be disclosed to the right purchaser (at the right time).

4. Focusing solely on price.

Other considerations include the financial strength and experience of the party making the offer, and the terms and conditions specified in the offer.

5. Not engaging legal and accounting professionals who are experienced in business transactions.

A lawyer who is well versed in business sales contracts will help protect your interests in a comprehensive, efficient manner. Similarly, a well-chosen accountant will help minimise your tax consequences resulting from the sale.

6. Not using a Business Broker.

There are many facets to selling a business that you just won't know about. A good Business Broker will guide you through the sales process and make sure that all the boxes are ticked. It's no different to using the professional skills of a lawyer or an accountant. At the end of the day, a broker can make the difference between a successful sale and no sale at all. Remember, assume nothing. Maintain a business as usual attitude and run the business as if it will be yours indefinitely - if you don't, it just might be!

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IN THE WORDS OF OUR CUSTOMERS.

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“

Ross knows my business.

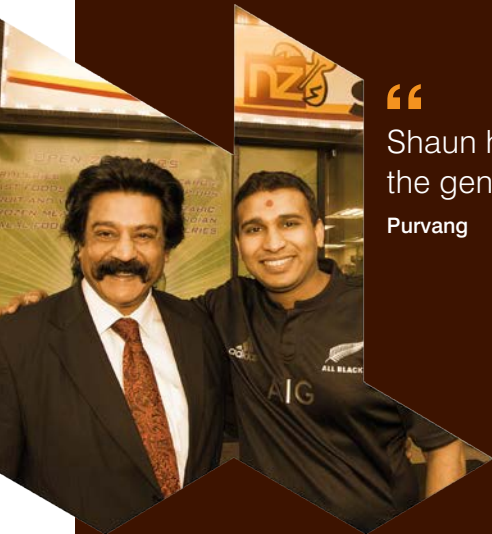
Warwick



“

Shaun helped me negotiate
the generation gap.

Purvang



“

Shelley helped
me set my new direction.

Louisa



TALK TO
US TODAY.

ABC.
Business Sales

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