

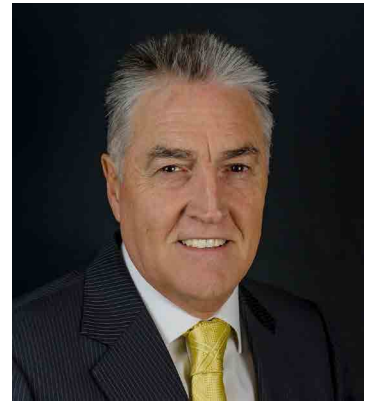


# Grow & Sell your Business

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**BCI**  
BUSINESS BROKERS

# Selling your business preparation is the key



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Most business owners never receive full value when selling their business because by the time they are ready to put their business on the market, either it is too late to do anything with it or the owner has no energy to properly prepare the business for sale. We advise our vendors to take a good look at the business from a buyer's point of view. Act as though you are doing an investigation of your own business prior to purchasing it. This applies whether you are a micro business that operates from home or a business that has been established 20 years, employs 40 people and has multimillion dollar sales.

You will find that each point below relates to one of two things

- Boosting profit or
- Reducing risk

Start implementing any of the initiatives that follow and you'll find that you'll begin to boost the value of your business immediately.



1

## Ask yourself “Would I buy this business?”



Take a good look at the strengths and weaknesses of your business - these are the internal features of your business. Look at the opportunities and threats to your business - these are the external features.

- Build on the strengths
- Take the opportunities
- Fix the weaknesses and
- Reduce the power of the threats

If you can't do all of the above things, at least make sure that they are possible within your business. It's always wise to leave a little bit left for the buyer in the business.

2

## History of ownership



If your business does not have a long track record, be prepared to prove profit or sales in some other way by trial of the business or by way of performance clauses to be satisfied prior to full and final settlement of the purchase price. Whilst history is no proof of what will happen in the future, it is certainly a solid indication.

## 3 Image, brand and reputation add value



Nurture your reputation by the quality of the products and services you deliver. Always be conscious of the image you project. A good brand says to the market "Trust me and I will look after you". You have a personal brand as well as a corporate brand.

## 4 Client and supplier contracts



You might feel comfortable without contracts but the buyer may need more assurance. If you can get written contracts with clients that automatically renew at the end of the period - that provides a measure of assurance to a buyer. If you rely on a single supplier, you are at risk unless you are protected by a long contract and even then there are no guarantees. Execute contracts where possible.

## 5 Intellectual property



Patents, designs and trademarks need to be registered. You may not see the need for a trademark, however a buyer who sees a business without trademark will be nervous that someone else could come in and grab your valuable name. The same applies to other registrable intellectual property assets.

## 6 Premises



If you are tenant of property and you only have a short period of time left on your lease, speak to your lessor about the possibility of extending the lease or the possibility of a buyer of your business being granted a new lease. Where a business is dependent on its location this can be absolutely crucial.

## 7

### Reason for sale



Don't invent a reason for selling a business. The best reason is retirement however what a buyer is really looking for is to establish that there is potential for him to grow the business. If the business is being sold due to business failure, the buyer wants to know that the failure is due to poor operator and not due to an inherent weakness in the business that can't be fixed.

## 8

### Employees



You need to paint the right picture about your staff. Job descriptions, profiles and detailed rosters should be prepared. Whether you should lock your employees in with contracts depends on whether you think a buyer would want to keep such an employee. You may prefer not to contract and hence to retain flexibility. Your employees form one of your great assets. Tell them that the business is going to be sold as soon as possible, also telling them that you will endeavour to secure future for them in the business if they want to stay on.

9

## Owner's influence



A business heavily reliant on the current owner's expertise or relationship with key clients or staff loses value for that reason. This is classified as the "risk of the transaction". Give more responsibility to key staff. Reduce the number of hours you spend in the business.

11

## Smooth trends



There are some financial figures that should remain constant from year to year. These include sales figures, gross margin, wages. Any substantial change in these key figures should be adequately explained.

10

## Credit rating



Pay your debt on time. A poor credit history can unsettle a buyer.

12 Clean up your asset register



Get rid of surplus or old stock. Update old equipment that is both production- and energy- inefficient. The purchaser will not pay for assets that are dilapidated, unusable or out of date.

13 Spread of Clients



Don't have your business reliant on a few major clients. Having a wider spread of clients reduces risk and increases value in a business.

14 Competition

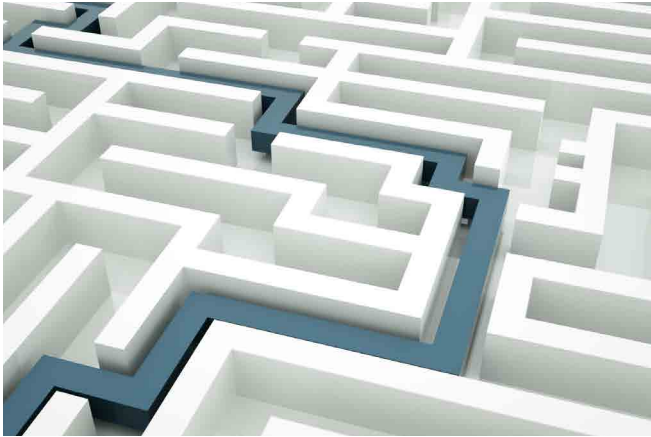


List your competitors.

Assess the strengths and weaknesses of your competition. Understand your competitive advantage and be prepared to explain it.



## 15 Business plan



Less than 20% of business owners have a business plan. Even fewer work with it. This is because most business plans are too complex. A business plan must be able to be summarised on one page. It answers three questions:

- Where are we now?
- Where are we going?
- How will we get there?

## 16 Systems



Wherever you can, systemise your business. Detail your business processes. Create an operations manual. Also, systemise that part of your business which is hardly ever systemised - the sales process.

## 17 Plan your sale



Time your sale so that you sell as closely as possible to the right time in

- The calendar cycle
- The industry cycle
- The regulatory cycle
- The economic cycle
- Your lifetime cycle

## 18 Keep up



Running a business is tough these days. Most traditional businesses are under challenge from industry change. The move from bricks and mortar to online, consumer sophistication, price wars, retail revolution, all these things are putting unbelievable pressure on everyone. You need to keep asking yourself the question "Where will my business be in five years time?"

## 19 Form your team



Selling a business should be a team effort. Your team should include:

- A solicitor who is an expert in small business sales
- An accountant who goes beyond the figures and understands each of these points
- A wealth adviser who is competent at investing the proceeds of sale
- A coach who can both teach you new things and keep you accountable on this plan

## 20 Provable, transferable, maintainable



To get top dollar for your business you'll need to establish that the facts are provable, the income is maintainable and the business is transferable. Get this right and you will get a pleasant surprise when you sell your business

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