BENCHMARK

BUSINESS SALES & VALUATIONS

12 Tips For Selling Your Business

A guide to maximising value when it's time to sell.

Brisbane • Sydney • Melbourne • Adelaide • Perth • Gold Coast

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Overview

Overview

Benchmark Business & Valuations was founded in 1999. Today Benchmark Business Sales & Valuations is one of Australia's largest, and most progressive specialist Business Brokerages, with offices in Brisbane, Gold Coast, Sydney, Melbourne, Adelaide and Perth.

One of the original ideas the founder, Bruce Coudrey, had when establishing the company was to have specialists each working in one specific area. This way, each broker could focus their energy on that particular area and become an authority in that one field. This has become one of the distinguishing features of the Benchmark team - the focus on individual specialisation in areas such as service station sales, childcare centre sales, self storage, hair and beauty & registered training organisations. Specialisation in the sale of specific industry types has lead to the establishment of many separate specialist divisions within Benchmark.

The advantages and benefits of specialisation are:

- You deal with Business Brokers who know what they are talking about.
- The Seller and Buyer feel more comfortable dealing with someone with industry knowledge.
- Business Brokers deal with the same pool of buyers.
- Specialist Business Brokers are familiar with lending criteria.
- Clients receive better service and results.

Committed to selling businesses, owner/operator to very large.

Areas of specialisation:

1. **Business Valuations**
2. **Hospitality Sales**
3. **Supermarket Sales**
4. **Childcare Sales**
5. **Salon Sales**
6. **Education (RTO) Sales**
7. **Service Station Sales**
8. **Franchise Sales**
9. **Transport Sales**
10. **Health & Fitness Sales**
11. **Professional Practice Sales**
12. **Self Storage Sales**
13. **Rural Business Sales**
14. **Construction Industry Sales**
15. **Automotive Industry Sales**
16. **Medical & Dental Practice Sales**
17. **Accommodation & Motels**
18. **Engineering & Manufacturing**
19. **Corporate Advisory**

YOU'LL VALUE OUR EXPERIENCE. WE VALUE YOUR BUSINESS.

Specialist Business Brokers Reveal

How to sell your business faster.

How to get the best price for your business.

What buyers are looking for today.

How to avoid wasting time and money.

The decision to sell a business...

The decision to sell a company or business is one of the most important decisions undertaken by a business owner. The importance of this decision warrants the need for careful planning, attention to detail, and professional consultation.

This is the only way to:

- **Achieve the best price,**
- **Minimise disruption and**
- **Avoid wasting time and money.**

The funny thing is that most business owners don't realize or know of the importance of prior planning and preparation – and how simple it is. This lack of planning can cost a business owner hundreds of thousands of dollars.

Do you know when is the best time to start planning the sale of your business? It's the day that you start operating the business. That's right. Maximum sales value is achieved if you plan the exit from the business at the start.

Every business owner needs to have an "exit strategy" ready to go at anytime. These tips are provided to help business owners to prepare an exit plan which will ensure that they are able to sell, and achieve the best possible results from selling.

This information has been compiled as a result of eighteen years in business sales as one of australia's leading business brokerages, and from the results of over 1200 sales, and many more "failures to sell". There will be something here for you.

01 Set the right price.

Set the Right Price.

You can only sell your business once. You don't get a second chance, and you can't go back and do it again. So you want to get the best possible price that the market will pay. Later on in this report we'll show you how to do that. But before we look at how to get the best price, you need to think about how to set the right price for your business.

Remember that most buyers want to pay the right price. This does not mean that they want to pay as little as possible. In fact, most buyers feel suspicious if the business is too cheap. Buyers feel more comfortable if they pay what they think is a fair price. Think about it. If someone offers you a Ferrari for $10,000.00 you immediately think "What's wrong with it?"

Of all the things that determine how long it takes to sell a business its not clever marketing, or internet, or referral, or anything else – ***it is THE PRICE.***

Getting the price right is critical.

The first few weeks of marketing a business are critical. If the price is too high you'll have a "stalled start". To avoid a poor start you need to properly and accurately estimate the value of the business.

Estimating business value is a skill, learned over many years. Only experienced, competent professionals can capably evaluate the value of your business. A business is not worth what you owe the bank, or what you need to pay off debt – its worth what the market will pay. But there is a way to get the market to pay more - which we will look at shortly.

It may be necessary to get several professional opinions of the value of your business, as only one may be too high or another too low. Take time to get the price right – it is worth taking the time to get the price right at the start.

If you have an independent business valuation done, you will be able you use that valuation to provide justification for your selling price. This technique will help eliminate negotiation on price from the buyer, and the cost of the valuation will be more than recovered in the selling price. On some rare occasions it may be best to offer the business with no asking price at all.

02 Look at your business through the buyers eyes.

Look at Your Business Through Buyers Eyes.

It's amazing what you will see, and what you can learn about your business, when you look at it through the eyes of a buyer. Have a look at your business, and what you have to offer. Think about what a buyer is looking for and what they will find if they look at your business. Here are a few of the things that a Buyer is looking for.

All buyers want:

1. **To pay the right price.**
2. **To be told the truth.**
3. **Future Security.**
4. **Transparent accounts.**
5. **Simple management & operation.**
6. **Not to have to invest more in repairs or upgrades.**
7. **Good presentation.**
8. **No reliance on "Key Staff" (see Tip Four)**
9. **No reliance upon "Key Customers or Clients"**
10. **None of the five "Negative Attributes"**

When you have taken a few minutes to look at your business from a different perspective, see if you can find simple ways that you can improve the presentation of your business. Can you ensure that your business gives a buyer some of the 10 points identified above?

First impressions count!
Make sure that the Buyer's first impression is a good one!

We've all seen those television shows where a work team comes in and spends a day or two renovating and tidying up the home to prepare it for sale where in then the sale price and value is increased. The same thing applies to the value of your business. It can make a big difference to a Buyer's first impression if the business looks neat, organized and "under-control".

03 The four negative attributes.

The Five Negative Attributes.

Nearly every business will demonstrate at least one of the five negative attributes that cause Buyers concern. Being aware of these negatives can assist you to prepare the business for sale, and deal with any objections when the Buyer raises them. What are the Five Negative Attributes? They are:

1. **The need to carry Debtors**
2. **Managing Staff – or relying upon “key staff” or the proprietor.**
3. **Long Trading Hours**
4. **Key product or client.**

Your business probably possesses at least one or two of these negatives, and working on these, can make your business a more saleable, more desirable option for many buyers simply by making some simple changes to these areas.

For example, a large rural tyre dealership was recently offered for sale. The asking price was reasonable, and the business was very profitable, but it held $850,000 of stock, and carried over $200,000 of debtors. And after 25 years, the owner was the business. Professional advice was given to the owner that the business could not be sold until the stockholding was reduced, the debtors reduced, and his name taken off the business. By making those changes the business sold for the asking price, and the buyers were able to easily manage the business and grow into the future.

- ☑ **Try to run your business with the lowest manageable amount of stock.**
- ☑ **Keep your debtors under control, and to the lowest possible level.**
- ☑ **A “managed” business is worth much more than an “owner operated” business**
- ☑ **If you trade long hours make sure it is beneficial, and not a problem.**
- ☑ **Try and ensure that your business does not rely too heavily upon either one employee, the sale of only one or two products, or sales to only one or two clients.**

Buyers will always feel negative about these “nasty” areas, but by being aware of this, controlling these, you will help eliminate buyer resistance, and move forward towards a successful sale.

04 Eliminate the "Key Person"

Eliminate the "Key Person".

> ***What is a Key Person? Are you a Key Person?***
>
> ***If you are a Key Person - you need to change things...***

Without realising it, businesses often evolve and grow, and during this growth the business owner's role will change. The owner knows how everything works, who all the customers are, and all the clients know the owner. The owner has become the "Key Person".

The Key Person, is the person that the business relies upon to operate smoothly. It may not necessarily be the owner who is the "key person", it could be an employee, or even a sub-contractor.

If a business cannot operate without one (or more) people, they are deemed to be a 'Key Person.' Ask yourself 'Does any business rely upon a specific person to function normally'

If your business relies upon a "Key Person" you need to address this and make changes to enable you to be able to sell the business. That is unless you sell the business to the "Key Person"!

Often the business may have a manager, or may rely upon the qualifications of one or more key personnel. This can make buyers nervous too, as they will think to themselves "what will I do if the manager leaves?"

To eliminate these potential problems you need to take yourself out of the business, and ensure that key staff are engaged on contracts that "tie" them to the business. This can be difficult and inconvenient, but it must be done. Generally speaking, There is a vastly reduced prospect of selling a business at the right price if a Key Person holds the whole enterprise together. You don't have to get rid of them, (or sack yourself) all that needs to be done is the business changed to reduce the reliance upon that person (or people).

If your business trades under your own name, it may be necessary to change the trading name to a more "generic" name quite a while before the business is offered for sale. For example, a business known as "John Smith Electronics" might benefit from a name change to something like "Comet Electronics", thereby allowing the new owner to takeover the business, without an abrupt change, and without having to operate under the name of another person.

05 Put all revenue through the books.

Put All Revenue Through The Books.

Some owners of small businesses are tempted to minimise taxation by not putting all income into the bank, or “through the books”. Many years ago this was thought to be a clever way to run a business, and enjoy a little “spending money” – and reduce tax. Not now. Today, it is simply more efficient, and straightforward to declare all income, and present a set of clean, transparent accounts to a buyer.

If you want to get the best possible price for your business, there is no doubt that this is something that you have to do.

By maximising the income and profit shown on the accounts the sale price increases accordingly.

There are two things that Business Sellers often say to Buyers, that buyers will ignore. These are; “there is loads of potential here”, and “there is cash on top of these figures”. These types of comments usually mean nothing to a buyer, and their accountant, their solicitor, and their bank manager. So we recommend that you do not offer your business to a Buyer on this basis. It simply carries no weight with a Buyer.

A business buyer is relying upon the information provided by the Seller to make a decision about buying that business.
The creditability of the Seller is a large factor in the Buyers decision. Your creditability is enhanced through the provision of comprehensive and accurate financial accounts.

Concentrate your attention upon ensuring that your financial records are correct and accurate. We know this sounds boring and obvious, but it looks really bad to a buyer when you present a set of accounts, and then offer all sorts of reasons and explanations for the way the accounts look.

When selling a business, your financial accounts are going to be scrutinised by the Buyer, their accountant, their solicitor, the bank manager, and all other “so-called” experts, such as the neighbors, father, brother and best mates. Each time the accounts are

06 How much will someone pay for your business?

How much is any business worth? How much is your business worth? The simple answer is that a business is worth what the market will pay for it. This is also the legal definition of value.

There are actually two ways to think about business value, and how to maximize value. These two ways are:

1. **What creates value?**
2. **How is value formally assessed?**

Value for any asset is determined through SUPPLY & DEMAND. If supply is abundant value is low. If supply is limited – value is increased. But, we can create demand, and this is an important way to think about improving the value of your business in the market – by increasing demand for that business. How do you do that? We will look at that in a later section.

When considering how the "formal value" of a business is assessed you need to start thinking about what kind of return a buyer expects from their investment. It is usual for buyers to want to receive a return of between 25% and 50% on the investment. So if a business is earning $100,000 per year, it should sell for between $200,000 (50% return) and $400,000 (25% return on investment). This is known as the capitalization rate.

What determines the expected return? It is RISK. So when looking at the value of your business, the next step is to consider the risk. If a business is considered to be really "safe" and relatively risk free, a lower return of investment is accepted by buyers. An example of this kind of business is a Post Office. These are considered to be safe, have government support, an exclusive area, no competition, and only trade for five days. Therefore, these businesses have a return of around 20% (or five times earnings).

A "riskier" type of business is a café. These are considered to be less "safe" and therefore a greater risk applies. A café buyer will expect a 50% return on investment (or two times earnings).

So if the Post Office and Café are both earning $100,000 per year, the café will sell for $200,000 (50% return) and the Post Office will sell for $500,000 (20% return).

Be aware that businesses in capital cities will be more valuable than in rural areas. Many specific industries have peculiar rules that apply to what they will sell for. These are known as "Rules Of Thumb". Some examples are: Newsagencies, Taxis, Childcare Centres, Supermarkets, Franchises and Rent Rolls. Experienced business brokers, accountants and financiers will be aware of the market forces and what a business should be worth. It is recommended that you always seek guidance from a qualified professional to assess the value of the business that you are selling. As mentioned previously – it is critical that you set the right asking price right at the start of the process.

When looking at the value of your business the hardest part of the value to assess is the "Goodwill". Stock and equipment value is easy to assess, but "Goodwill" is the part that needs to be properly considered.

There are three types of Goodwill that a business will possess.

1. **Personal Goodwill**
2. **Locational Goodwill**
3. **Commercial Goodwill**

Which of these three forms of goodwill does your business possess? If it is all personal goodwill – you will not be able to sell your business for a high price, but if you can plan and structure your business to become a business with high commercial Goodwill (or value) – you will be able to sell for maximized price.

This series of tips is aimed to help business owners to shift the value of their business from Personal and Locational Goodwill, to Commercial Goodwill. This way it won't matter who owns the business, or where it operates from, the market will see value in the business.

07 Secure your tenure.

Secure your tenure.

There are three basic things being offered when a business is sold:

- **Tangible Assets - Such as plant & equipment, stock, fixtures, etc.**
- **Intangible Assets – Goodwill, Intellectual Property**
- **Future Maintainable Earnings – or a degree of certainty**

The “maintainability” of those future earnings needs to be assured and proven to a business buyer and their financier. One of the main things that underpins this “maintainability” is secure tenure. Usually a secure lease, with an adequate amount of time left to run until the lease expires, is the thing needed to provide a degree of certainty about the future income stream.

Maximum value can usually be achieved by having the longest, most secure lease in place when offering a business for sale. So don’t be afraid to take up an option, or get a new lease. It is essential to get the maximum tenure in place before the business is offered for sale, as the uncertainty of having a buyer trying to secure a new lease or option will make the sale doubtful and complicated.

Many business owners are unsure about whether they should renew a lease or take up an option on a lease before selling a business, as they feel that the new owner may not want to remain at the same location. It is usually better to have the lease. In fact, it is a good general rule that you should operate the business as you would if you were going to continue owning the business into the future.

If you own a business and the freehold property there are many advantages, and benefits to be derived from arranging a lease between the business and the property owner. For example, you can sell the business, and continue to own the property and either enjoy the passive rental income or sell it to an investor. There are also tremendous GST issues and possible benefits from having such a lease in place when selling a business.

The most profitable business in the world won’t sell if there is no guarantee that it will be able to continue trading as it is into the future. Certain tenure assists in providing “maintainability”.

08 What to be careful of.

What to be careful of.

All of the advice in these pages can be summarised as PREPARE. Preparation is vital when selling a business, and there are many little things to consider as being a necessary part of preparation. The time to start preparing your business for sale is the day that you start the business. Some things to prepare are:

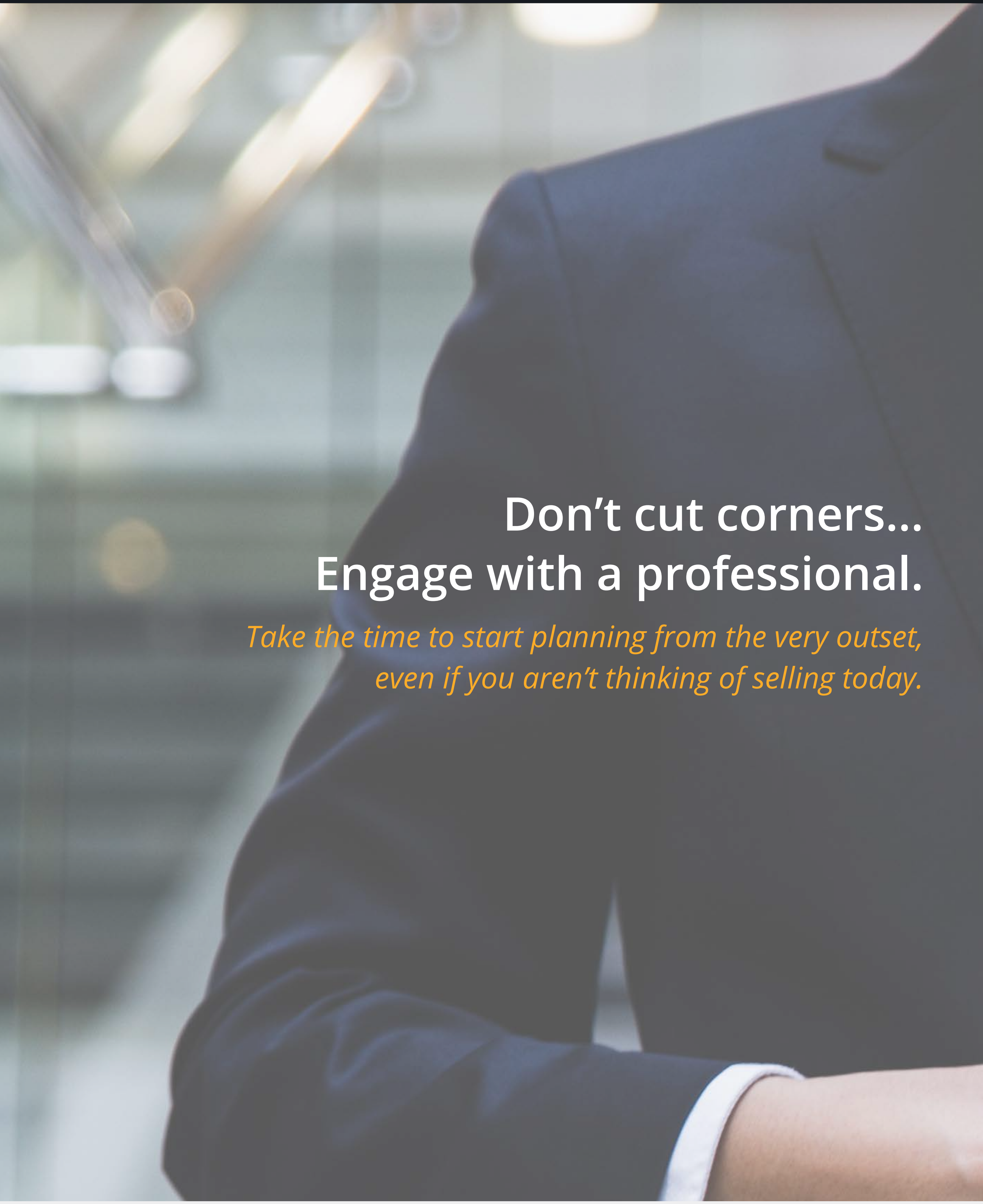
- ☑ **Provision of full financial accounts for three years + balance sheets**
- ☑ **Prepare exit strategy or succession plan**
- ☑ **Calculation of nett realisation after sale & CGT preparation**
- ☑ **Business valuation or appraisal to set realistic price**
- ☑ **Simplified management structure and processes**
- ☑ **Standard Operating Policy & Procedure Manuals**
- ☑ **Register Copyright or Trademarks if necessary**
- ☑ **Improved presentation of business premises and personnel**
- ☑ **Legal advice and preparation from solicitor or lawyer**
- ☑ **Tax planning & financial planning advice**
- ☑ **Elimination of reliance upon “Key People”**
- ☑ **Debtor management**
- ☑ **Rationalise stock to the lowest manageable level**
- ☑ **Estimation of Work-In-Progress & future orders**
- ☑ **Diminish reliance upon either key products or key clients**
- ☑ **Establish secure future trading conditions & tenure**
- ☑ **Ensure all equipment, signage, and plant are in good condition**
- ☑ **Ensure future advertising and marketing are in place**
- ☑ **Consider changing trading name**
- ☑ **Consider appointment of reputable agent or broker**
- ☑ **Plan a marketing and advertising campaign**

Essentially, the thought and preparation involved at the outset can make a huge difference to the nett amount realised by the Seller at the completion of the transaction.

Don’t walk away from the sale of your business regretting that you could have done more, and created a better result. Maximise your nett return by taking time and properly preparing in advance.

Often we have seen companies and individuals sell their businesses and then – when the transaction is completed – the owners and management have realized that they didn’t allow for Capital Gains Tax, or other expenses such as loan payout costs, or release of bank security. In some cases this has cost many thousands of dollars, all because planning wasn’t conducted at the outset.

You really need to think ahead, and the services of an experienced business broker are invaluable in creating a “checklist” of issues to be addressed to make a sale a planned event – rather than a regrettable disaster. (See the Process Timeline at the back of this book.)



Don't cut corners... Engage with a professional.

Take the time to start planning from the very outset, even if you aren't thinking of selling today.

09 Spend or don't spend?

Spend or don't spend.

In every business there are always things that require spending or reinvestment. This can be capital expenditure, revenue expenditure, discretionary spending, etc. Whether or not to invest (or reinvest) in the business is a common problem for business owners to contemplate when selling. How much to spend or invest on the business? Too much expense can be a waste, not enough and the business will be less valuable in a sale.

What is the right way to go? The answer is that there is no right or wrong way, but there are a few points that provide guidance in this situation. These are:

- Always act is if you were intending to keep the business for at least another twelve months.
- It is easy to save money and elect not to spend on upgrading equipment, or renewing advertising, but this is usually "false economy" as the money will need to be spent eventually, and the Buyer is probably likely to take it off the asking price.
- Don't make major capital investment if possible. If capital investment cannot be avoided it may be a good idea to consider leasing the asset rather than owning it so that the new owners can take over the lease, and claim the tax benefits – which you can claim whilst you continue to own and operate the business.
- Never try to save money by "doing it yourself", engage the best people and the best advisors to help you make decisions.
- Don't be afraid to allow a reasonable budget for advertising and marketing the business for sale. You want to be sure that you've given yourself the very best opportunity to sell at the very best possible price by ensuring that the business is properly exposed to the widest possible audience. This is how to "create demand".

  Continue normal spending and investment in advertising and marketing. If you show a large increase in spending prior to selling it creates a bad (and often misleading) impression that the advertising was just done to "pump-up" turnover to sell the business.
- If you have a retail store in a major shopping centre, and it will require a refit at sometime in the near future, it is better to try and arrange the sale so that the new owner is able to complete the refit to their liking. If the refit is required now, it is probably better to do the refit now, then get a new lease and then sell the business after having secured a long secure lease.

10 Have a plan in place.

Have a plan in place.

Planning ahead gives you control. By making realistic, simple plans you take control of your business and your life. The saying is true "Failing to plan is planning to fail".

It seems obvious that having a plan is necessary, but it is surprising, and difficult to understand - why so many business owners don't spend more time creating a business plan, a marketing plan, or an exit strategy.

A business plan gives you structure, goals and direction.

A marketing plan is a tool that can be handed over to others in your absence, and is also a tool that can be given to the new owner of your business. This will add value to your business as the buyer is acquiring that knowledge and plan from you – based upon your experience of what works.

An Exit Strategy or Succession Plan is an essential part of forward planning for any business owner. It allows you to leave the business on your terms, and when you are ready – not when you are forced into selling. Every business is going to sell eventually, therefore it is obvious that by having a plan, and sticking to it, you can take control, and get the best possible price, reduced tax liability, and maximum yield whilst operating the business. Your plans may be either be for succession, or for sale of you business, in either case, the need to plan an Exit Strategy is paramount.

It is common for business owners who do not have a proper exit strategy in place, to have no idea of what their business is really worth, and what Asking Price should be set. It can be an unpleasant experience for a business owner to find that the business is not worth the price that was being expected, as this can lead to disappointment, financial stress, and dissatisfaction.

Some steps that should be taken to create an Exit Plan are:

- **Have the business valued by a qualified business valuer.**
- **Calculate the current nett worth**
- **Plan dates and times for exit and projected nett realisation on sale**
- **Formulate a plan**
- **Regularly check progress and performance against the plan**

"Failing to plan is planning to fail"

11

Give Yourself The Best Opportunity

Use A Qualified Business Broker.

There is no doubt that a good business will sell if it is:

1. **Properly priced,**
2. **Full financials are provided,**
3. **Business information and data is properly documented**
4. **Properly advertised and effectively marketed.**

A qualified, experienced, business broker will provide the following services:

- **Appraisal of business value.**
- **Assistance with planning for the sale of the business.**
- **Production of advertising & marketing plan.**
- **Identification of business attributes & selling points.**
- **Identify and eliminate potential problems and obstacles.**
- **Production of comprehensive Business Information Package.**
- **Communicate activity levels and seek Sellers instructions regularly.**
- **Confidential qualification of buyers.**
- **Use of buyer database, of local, interstate, and overseas buyers.**
- **Create demand for the business**
- **Find a buyer willing to pay the most for the business.**
- **Assistance for buyers with finance, legal assistance, & more.**
- **Negotiate a satisfactory price.**
- **Preparation & assistance with Contract of Sale.**
- **Assistance with transition process.**
- **Satisfactory completion of transaction.**

It is common that business owners trying to sell their business will get buyers to look at the business, but find it difficult to progress past that point. This is where the skill and expertise of a professional broker will come to the fore. A broker will be able to identify the right way forward for both buyer and seller, and create a win-win outcome for all.

Many times business owners have had buyers come to them looking to buy their business, and the buyer has lost interest and drifted away. This is often caused because the business owner has “dumped” a load of information onto the potential buyer, and the buyer has gone away and found a reason not to buy the business using that information. Professional business brokers know how to consider the psychology of the situation, and how much – or how little – information to provide to a buyer.

Remember a business broker does not get paid until the transaction is completed.

In any profession there are good and bad practitioners, but it’s like anything – You get what you pay for. Do some homework, don’t try to save a few dollars by paying a slightly lower commission, find a qualified broker who understands your business, ask them about their experience and allow them to use their expertise to create the best possible outcome for you.

12 Advertise. You can’t sell a secret.

Advertise. You can’t sell a secret.

It is almost impossible to find the right buyer for your business if you don’t widely promote and advertise to find suitable buyers. The wider the net you cast, the more potential buyers you will have look at your business.

More buyers = more demand, and more demand = more value.

You have to expose the opportunity to thewidest possible market to sell for the best possible price. That’s a fact.

When selling large commercial property or up-market residential property it is common for successful marketing agents to allocate a marketing budget of 1% of the selling price of the property. As businesses are more specialised than property, and it is often more difficult to locate the perfect buyer, and a larger advertising budget will often be required to achieve a sale.

Many people think that advertising means placing an ad on the internet – or in the paper. This is not the case. That may have been the preferred method of advertising a business years ago – but not now. Today there are better, more sophisticated, proven, methods available to expose your business to the most suitable prospects.

Successful business brokers know that there are at least four basic methods of maximising exposure of the business to a wide target audience. These are:

- ☑ **Database marketing***
- ☑ **Acquisition letters (direct mail)**
- ☑ **Optimised website advertising**
- ☑ **Press advertising**

Each of these four catagories contains sub sections which are able to be invoked to optimize the exposure to the market.

Don’t fall into the mistake of trying to save a few dollars on advertising, it always pays to do it properly. Allocate an appropriate budget towards marketing your business. Often business owners will be seen spending a small amount each week on advertising their business when just a few larger-sized ads will create more response and a more-qualified buyers, in a shorter period of time.

**** Most business brokers have a database of qualified buyers***

Without exception, every single successful business broker will tell you that a proper marketing campaign will expedite the sales process significantly, and is critical in producing a successful sale for maximum value.

Value for any asset is determined through SUPPLY & DEMAND. We can create demand for your business by creating a marketing program that will get lots of potential buyers wanting to know more, in confidence.

In fact, the right kind of marketing will give you control. Rather than you feeling like you are inviting the buyer to acquire your business, you will have them asking you to sell them your business. This is called “gaining posture”.

There is an old saying that “you can’t sell a secret” – it’s true. Doing this whilst maintaining confidentiality and privacy can be tricky, and this is a process that is best handled by an experienced business broker.

An extra tip.

Be totally honest.

If you want to get the best possible price for your business there is no doubt that you must be completely honest. Not only honest with the Buyer, or your Business Broker, but you have to be honest with yourself.

Before placing a business on the market you need to be brutally honest with yourself, and acknowledge what the business is really worth in the market today. A business is not worth what you think its worth, or what you may need to pay out all debts, - it's worth what the market will pay. Be honest and realistic with yourself, you will save a lot of time and disappointment by being realistic.

Misleading, not disclosing information, keeping something secret – these tactics don't work. In fact this makes the situation worse.

It is tempting to keep some things secret from buyers but it's useless, as they will probably find out all your secrets anyway.

It is a standard part of any business transaction these days that the Buyer will conduct some kind of Due Diligence to verify not only the accounts, but also all other aspects of the business. In this process, the Buyer will be able to really get to know the business and all of the details and workings of the business. So it's pointless to "cover-up", all it does is postpone the inevitable.

There are no "wood ducks" out there anymore. You will not get lucky and find some sucker who will want your business – it just does not happen.

What does work is following the simple steps outlined in this series of tips. There are no shortcuts – but planning ahead will make selling the business much easier, and much quicker.

Being honest with yourself about the worth of the business, and being honest and open with the buyers, is the only way you can achieve an outcome that will be wholly satisfactory for you, and for the buyer.

One more thing...

When you decide to sell your business you are making one of the most important decisions you will ever make. This occurs after a lot of planning and thinking.

Selling can be a very unsettling and disturbing process for the owner, as you don't want to upset staff, suppliers, or clients who may leave, and go elsewhere if they find out the business is for sale.

You have put a great deal of time and effort into building your business, and you (rightly) need to protect your business from competitors and from sabotage.

Accordingly, it is essential that others respect your right to privacy, and confidentiality. In meeting this requirement there will be certain restrictions and processes that a buyer must adhere to. A genuine and sincere buyer should have no reservations about meeting those requirements.

Where do buyers come from?

Where do Buyers come from?

- **Interstate?**
- **Overseas?**
- **Locally?**
- **Competitors?**
- **Staff?**
- **Suppliers?**

How do buyers find out about your business being for sale?

- **Internet?**
- **Newspaper**
- **Direct Mail?**
- **Magazines?**
- **Referral?**
- **Trade Journals & Magazines?**
- **Accountants?**
- **For Sale Signs?**

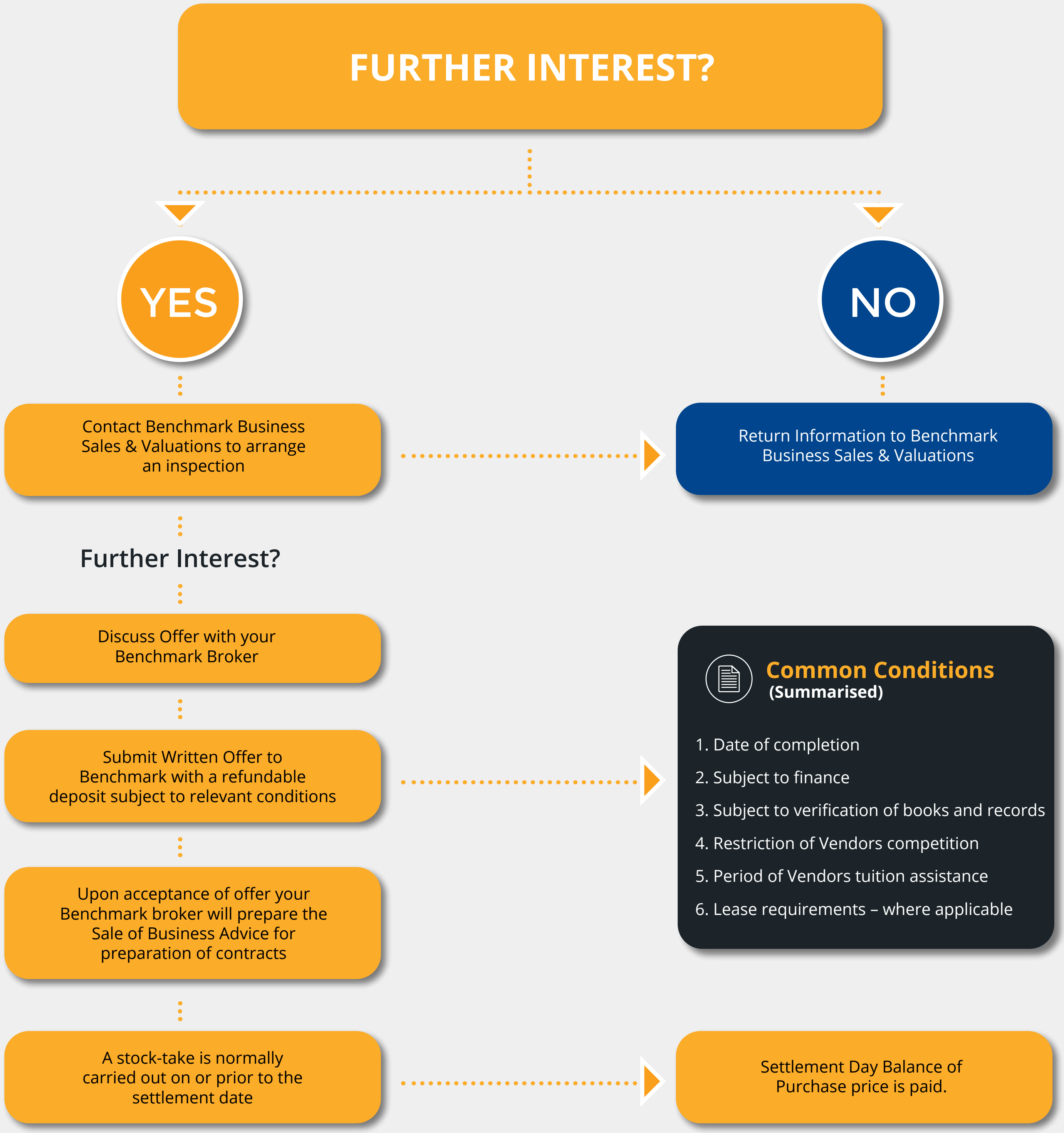
Over many years we have found that most buyers are local. In fact, about 70% of buyers are locals. Only 30% come other sources – Many from interstate. We have found that genuine interstate and overseas buyers will have the local papers sent to them, and that they will look at local websites, so advertising overseas and interstate generally does not work.

Buyers come to us. If proper preparation and planning are in place the buyers will make a “beeline” to our door. We do not need to chase them, they will find us.

When selling your business it is wise to think about what kind of person or company would be interested in your business, and where they would come from. You need to consider what is the best way to let that type of buyer know that your business is for sale.

One method of advertising alone will not be successful. A combination of proven methods working together to produce a cohesive strategy is required to find buyers – and to get them looking at our business.

What to do.


FURTHER INTEREST?
YES
NO
Contact Benchmark Business Sales & Valuations to arrange an inspection
Return Information to Benchmark Business Sales & Valuations
Further Interest?
Discuss Offer with your Benchmark Broker
Submit Written Offer to Benchmark with a refundable deposit subject to relevant conditions
Upon acceptance of offer your Benchmark broker will prepare the Sale of Business Advice for preparation of contracts
A stock-take is normally carried out on or prior to the settlement date
Common Conditions
(Summarised)
1. Date of completion
2. Subject to finance
3. Subject to verification of books and records
4. Restriction of Vendors competition
5. Period of Vendors tuition assistance
6. Lease requirements – where applicable
Settlement Day Balance of Purchase price is paid.

THE PROVEN FORMULA FOR SELLING BUSINESSES

In addition to planning, setting the right price, appointing a professional business broker, marketing the business, fixing negative attributes, there is a **PROVEN FORMULA**, that (when applied) will ensure that you sell your business within a reasonable timeframe.

The formula that Benchmark Business Sales and Valuations employs has six parts. It:

- IS SIMPLE
- IS PROVEN
- IS EFFECTIVE
- TAKES COMMITMENT TO WORK

THE SIX PARTS ARE

1. **Setting the right price, and the right expectation**
2. **Creating a "Sale Plan"**
3. **Preparing a draft contract of sale**
4. **Collating all necessary information and preparing a comprehensive information package for buyers**
5. **Preparing a targeted marketing campaign, knowing who the target audience is, and commitment to investment in marketing**
6. **Engaging a pro-active broker in an exclusive agency agreement for a short period.**

All parts must be implemented for the formula to work. If the business is not selling, it can only be one of these six areas that is the cause. By focussing on these areas, and addressing each of these parts, the business should sell within a reasonable timeframe.

STEP	RESPONSIBLE PARTY	DATE DUE	DATE COMPLETE
Business Value & Sellability Assessment	Agent		
List Business / Sign Authority	Agent / Seller		
Prepare Presentation & Financials	Agent / Seller		
Certificate Of Clearance (if required)	Agent/Seller		
Implement Marketing Plan	Agent		
Buyer Confidentiality Agreement in place	Agent		
Inspection/Meeting of Buyers & Seller	All Parties		
Negotiate Terms of Sale	All Parties		
Letter of Offer	Agent		
Demonstrate Timeline to All Parties	Agent		
Obtain Buyer & Seller Details	Agent		
Advise Stamp Duty & Legal Costs. Check FIRB	Agent		
Contract Signed	Agent		
Pay Deposit	Buyer		
Bank Deposit & Provide Trust Account Receipt	Agent		
First Right of Refusal offered (if applicable)	Agent		
Send Contracts to All Parties	Agent		
Advise Solicitors of Landlord, Landlord’s Solicitor	Agent		
Meeting of Buyer & Seller	All Parties		
Franchise Application Form Completed	Buyer		
Staff Details Supplied to Buyer	Seller		
Interview with Franchisor/Landlord - Disclosure Docs, Business Plan	Buyer / Franchisor /Landlord		
Organise Supply Agreement	Buyer		
Organise ESA, Testing, Council Approvals	All Parties		
Finance Approval	Buyer		
Book Stocktaker	Agent		
Provide Security - Bill of Sale	Buyer		
Training by Seller	Buyer / Franchisor		
Confirm Buyer Approval by Landlord	Buyer / Agent		
Due Diligence	Agent / Buyer		
Meeting of All Parties - EFT, Phone, Power	All Parties		
Agree on Stocktake Procedure	All Parties		
Advise Staff & Suppliers of Changeover	Seller / Buyer		
Commence Tuition	Seller / Buyer		
PPSR cleared	Buyer		
Franchisor Training Clearance	Buyer		
Confirm Lease / Agreement	Agent		
Right Of Entry cleared by lawyers	Seller		
Silver Chef leases checked (if applicable)	Seller		
Order Uniforms	Buyer		
Organise Power, EFT, Phone, etc	Seller / Buyer		
Check Solicitors are Satisfied with Conditions	Agent		
Licence, Permits, Rental arrears paid,	Buyer’s Solicitor		
Audit of Inventory. Payout leased equipment	All Parties		
Stocktake	All Parties		
Adjust Pre-paid Accounts, Deposits, etc	Seller / Buyer		
Adjust for sub-leases,	All Parties		
Safety Certificates for motor vehicles	Seller		
Keys, Security Devices, Codes Passed Over	Seller		
Settlement	Buyer		
Insurance, Work Cover, ATO Registration	Buyer		
Pay for change float, ATM,	Buyer		
Discharge Deposit. Pay Commissions.	Agent		
Vendor Assistance	Seller		

Sell your business with Australia's only national business brokerage.

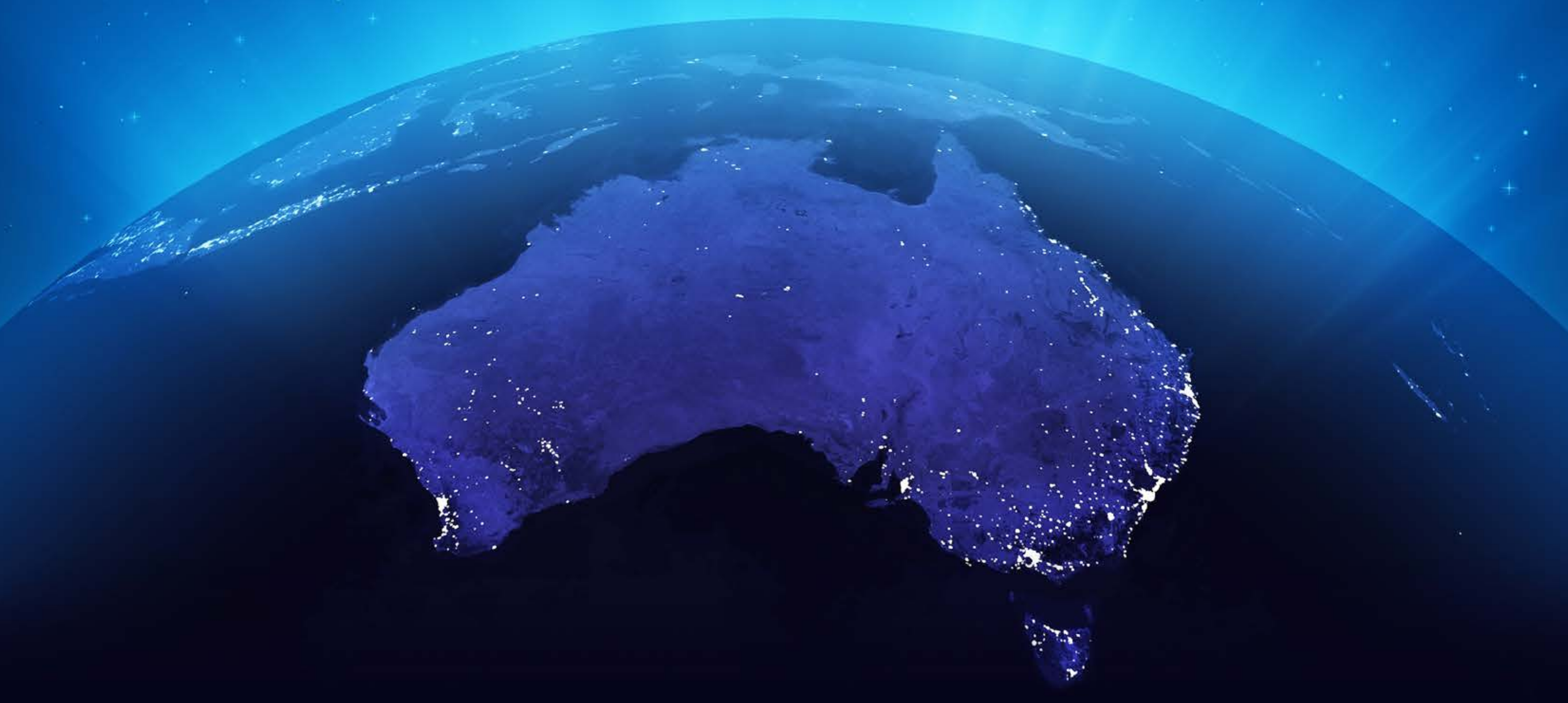
61,500+
active buyer database.

612
businesses listed with Benchmark.

95
businesses under contract.

4,000+
business sale transactions.

47
specialist business brokers.



1300 366 521
benchmarkbusiness.com.au
admin@benchmarkbusiness.com.au

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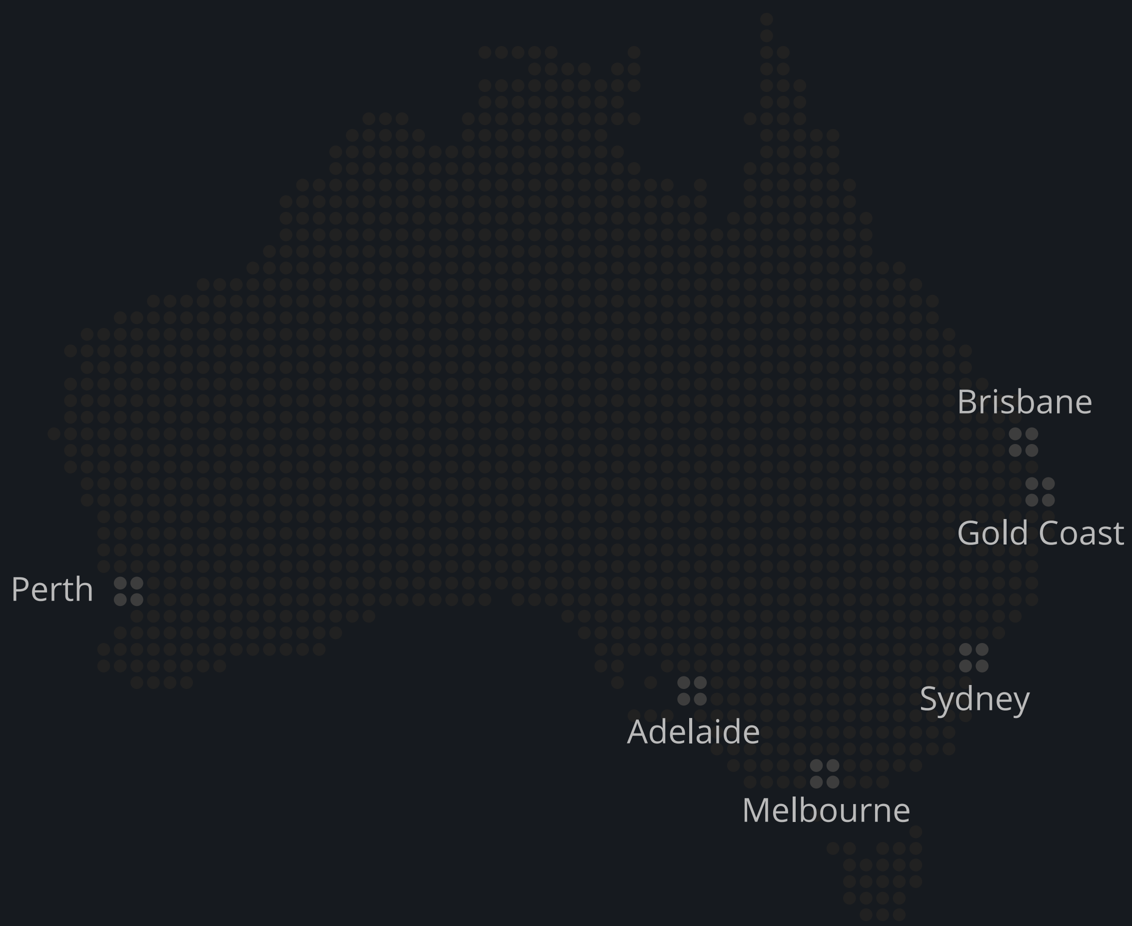

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