

ABC.
Business Sales

WE'LL GET YOU IN BUSINESS!

Buy it right.



BUY IT RIGHT.

▮ **Being in business for yourself is one of the most exciting things that you can do. Sure, it can be challenging, it can be tough, but the satisfaction of running and building a successful business is immense.**

So if you want to shape an independent future for you and your family, now's the time to act.

To help you 'buy it right', we at ABC Business Sales have put together this guide. It's what we've been doing since 1986 by successfully connecting business people to opportunities right across New Zealand. This understanding of how to 'buy it right' is one of the reasons why we're this country's No.1 business brokerage*.

All buyers have their own ambitions and goals. Matching the right buyer with the right seller and managing the complete process so that both are rewarded is a definite art. And this is where we excel.

We have the experienced people and the proven processes to put you into business.

To buy it right, you've got to:

1. **Ask yourself the right questions.**
2. **Determine the right price.**
3. **Do the right preparation.**
4. **Find the right seller.**
5. **Make the right offer.**
6. **Avoid 6 outright mistakes.**

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The very first question you should ask yourself is, am I up to the challenge of running a business?

Operating a business is not for the fainthearted. You've got to give it 100%. For a business to succeed an owner has got to be passionate, focused and resilient. Is that you?

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Awarded ★★★★★

**New Zealand's #1
Business Brokerage
2010 - 2015**

Real Estate Institute of New Zealand
National Awards for Excellence

Am I the right sort of person to own a business?

Some people are simply not cut out to be a business owner. To be successful you've got to be organised, disciplined, and not afraid to make decisions. You need to be receptive to new ideas, be able to remain calm under stress and take responsibility. Remember, when you're the boss, the buck stops with you.

Am I willing to use the help of an expert?

It's well worth considering because when you think of it, you'll probably only buy a business once or twice in your life, but Business Brokers do it every day. They've been there, done that and know all the ins and outs of what is a rather complicated process and can act as your guide. ABC's Business Brokers will bring the element of rational perspective that a professional offers.

Am I willing to pay the market price?

What's a business worth? The seller will no doubt have a price in mind. But coming up with an offer that reflects good value in a current market requires a great deal of consideration. That's why it's vital to do your research and get good advice. If you're realistic with your offer, you're much more likely to reach a prompt agreement.

Do I understand financial documents?

A seller will provide their financial statements, lease documents and any other important paperwork so you can assess how their business is performing. But do you really know what you're looking at? It's important to realise that the seller will do everything they can to make the business look as profitable as possible. So it's vital you get your accountant to look beyond the bottom line.

What type of business do I want to buy?

If you've found a business you can feel passionate about, that's a great starting point. Then it's a case of whether you want to buy a job, or a business. If you see yourself as an owner/operator then you'll be looking to buy yourself a job. You'll very much be hands on, working for an hourly rate and enjoying the benefits of being your own boss. On the other hand, if you're buying a business, it more than likely has staff, premises and processes in place, which means it can operate without you being there all the time. Your time will be spent working 'on' the business, rather than 'in' the business. To work out whether you want to buy a job or a business, first consider your lifestyle and financial goals, they'll most likely be the determining factors.

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PAY THE RIGHT PRICE

It's not easy to put a realistic price on a business especially if you think you've found the perfect one. 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 trends
- Company history
- Equipment value and condition
- Capital requirements
- Barriers to entry
- Intellectual property
- Employee turnover
- Owner's involvement

Establishing a fair offer 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.

How do I start the buying process?

The first thing to do is approach the person who is handling the sale. More often than not, the person selling the business has appointed a professional to sell on their behalf; a broker, accountant or lawyer. So finding out who to talk to is the first step. Let them know you're an interested buyer, not just a tyre kicker, and outline what you require from them, and how the business fits in with your future plans.

How can I find out more about the business?

It really does pay to look beyond the books. A little legwork could reveal a lot about a business. Spend time in the neighbourhood. See how many customers are coming and going. Ask customers for their opinion. Seek out suppliers and find out whether they're being paid on time. Ask council if any new developments are planned that could affect the business for better or worse. Don't be shy – keep asking questions until you have a very good idea of what you're getting into.

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 find a business for me?



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SEEK KNOWLEDGE

The better you are prepared for buying, the easier it is to get a good buy in a shorter time frame. These tips on what to do, what paperwork to ask for, and who to get to help you, will quickly get you up to speed.

➤ Prepare your basic 'To do' list

Contact the person who is handling the sale and find out as much as you can about the business and the reason for selling. Do your own research so you know your marketplace, your competitors, what customers think of the company, service, or product.

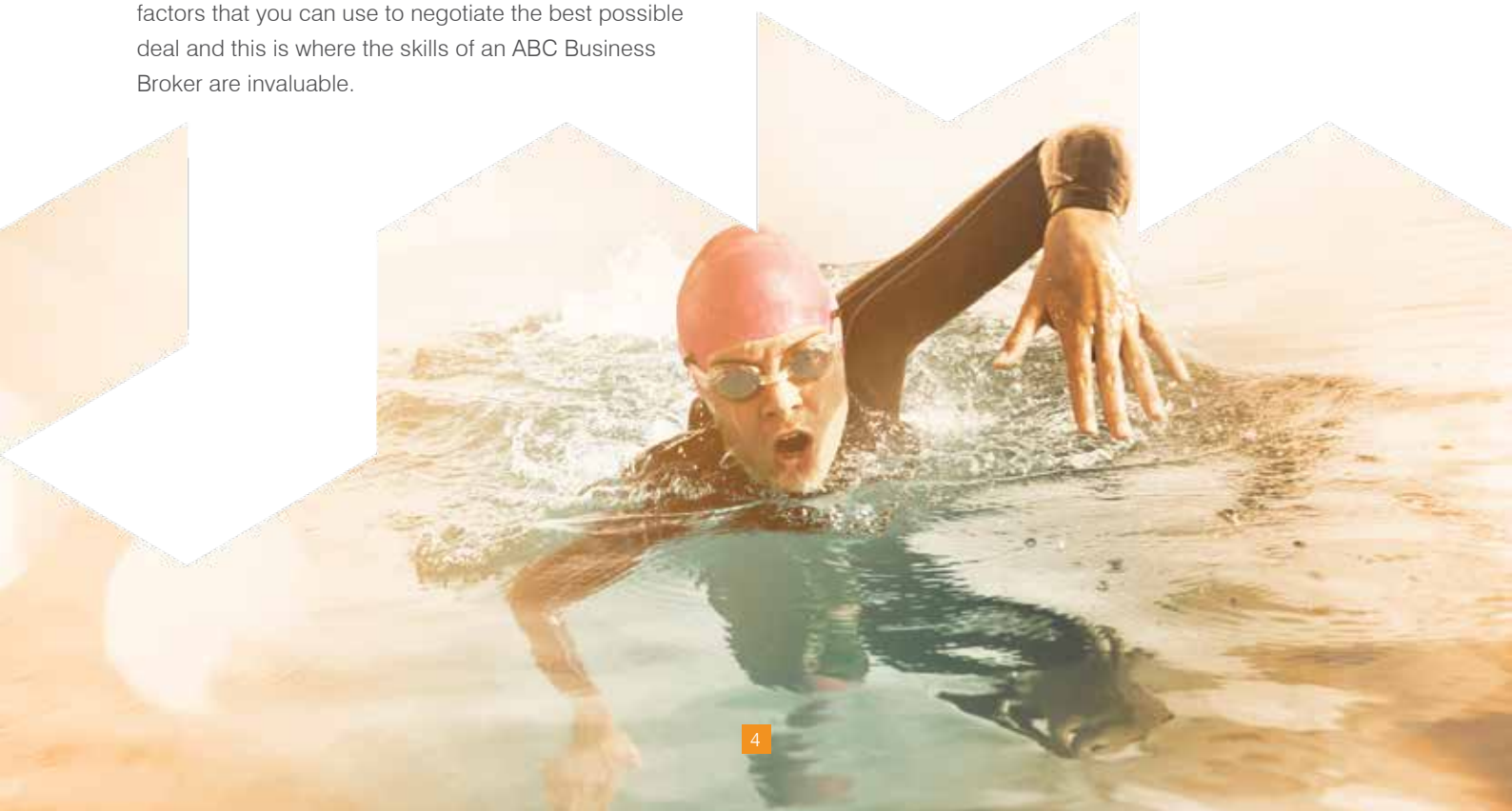
Get an expert to help you analyse the books. Even if you're familiar with business accounting, having an objective third party in the mix can be a real benefit. Find out what is negotiable. Does the seller have to sell within a certain timeframe? Are they asking a lot for goodwill? Are the valuations accurate? Would they be willing to leave money in the business? There are many factors that you can use to negotiate the best possible deal and this is where the skills of an ABC Business Broker are invaluable.

➤ The paperwork

If the seller is well prepared they will have all the paperwork ready for you to help you determine how the business is doing. However until you sign a letter of intent the seller may hold back certain confidential records, contracts and statements.

The usual documentation you should expect to see is:

- Comprehensive financial statements for the past three years
- A current YTD 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



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HOW TO FIND THE RIGHT SELLER

You're 100% serious about buying. You've decided on a business category that will achieve your lifestyle and financial goals and you're passionate about it. Now all you have to do is find the right seller.

The problem is knowing where to look. You could spread the word among your friends and work contacts and check out if anyone is looking to sell. Or you could start searching the internet for likely businesses for sale. But either way you'd only reach a very small percentage of potential sellers.

Professional Business Brokers can do all of the above for you, plus much more. They can search and screen businesses before putting you in contact with those that meet your criteria, which saves you a huge amount of time and wasted effort. They can also use their database of business contacts to directly target the business type you're looking for. Good Business Brokers will also have a business sales catalogue, a website with high visitor traffic, an email database and strong, proven marketing strategies. They may also be aware of opportunities that are not yet on the open MARKET.

So who is the right seller?

Someone who can demonstrate:

- A genuine desire to sell their business
- A good track record of running a successful business
- The willingness to complete the sale in good time

Once you've signed a confidentiality and non-disclosure agreement you may see the following information about their business:

- A history of the business
- An overview including information about the company's products and services, operational information, and personnel structure
- Information regarding the market, including customer mix, competitors, industry trends etc
- A list of fixed assets included in the sale
- Information regarding the 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 they are offering the business for sale

How to put in an offer

Once you've signed confidentiality and non-disclosure agreements, and seen all the relevant information about the business it's time to put an offer on paper.



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What can an offer include?

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

What might the Terms and Conditions include?

All offers will have some terms of sale. You can include any of the following:

- Method of payment or finance conditions
- The scope and length of a restraint of trade agreement
- Training terms and vendor assistance
- Acknowledged condition of assets being acquired
- Identification of liabilities to be assumed
- Any vendor warranties
- Staff transition details

What about conditions of sale?

In your offer you can specify that certain conditions need to be completed within a given time frame. These are especially important as all conditions need to be met before.

Some of the most common conditions are:

- Verification of financial and operational information (due diligence)
- Satisfactory equipment inspections
- 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 you as a counter-offer. Until an agreement is reached by both parties either party may withdraw their offer.

In considering an offer the seller will evaluate your qualifications, financial position, and method of securing any payments to be made. It's worth remembering that a seller may accept a lower price if you can show that you're in a strong financial position to make a straightforward and quick settlement.

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

About due diligence

While it is best to begin due diligence as early as you can, most sellers won't allow due diligence to be performed until an agreement has been confirmed in writing, signed and dated.

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 transactions 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. Meeting with employees will also generally not be permitted until due diligence is completed and the agreement is unconditional.

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AVOID 6 OUTRIGHT MISTAKES

There are some very common pitfalls when selling a business.

There are some very common pitfalls when buying a business. Here are some to look out for:

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

Be patient, analyse the feedback and be realistic. The right business is out there, it just takes time to find it.

2. Focusing solely on making money.

If you expect your new business to make you big money from day one, and always continue to do so, you're likely to be disappointed. Business fortunes fluctuate so you need to be resilient enough to survive the downturns as well as enjoy the boom times.

3. Failing to do your homework.

Having complete, accurate and verifiable financial information on the business is a given. But you cannot expect the books to tell you the full story. You need to do your own research to learn about the market, your competitors, the risks involved, and most importantly, to find out exactly why the business is being sold.

4. Not anticipating the effects of a change of ownership.

Many owner/operators have grown their business by the sheer force of their personality. As a buyer of such a business you have to be mindful that some customers may be lost when the ownership changes. Similarly, if a business has relied on one person's ability to network and gain contracts these could be terminated or open for renegotiation once you take over. You need to put plans in place (preferably with the current owner) to make the changeover as seamless as possible.

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 ensure you're not liable for any outstanding debts or claims upon the business.

6. Not using a Business Broker.

There are many facets to buying a business that you just won't know about. A good Business Broker will guide you through the buying 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. And at the end of the day, a broker can make the difference between a successful purchase and no purchase at all and the difference between a successful sale and no sale at all.

What we can do for you

Firstly we'll listen to you, then we'll develop an action plan tailored to your situation. Through our market insight, we'll show you how you can reach your goals in the most efficient and rewarding way.

Talk to us today.



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IN THE WORDS OF OUR CUSTOMERS.

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Ross knows my business.

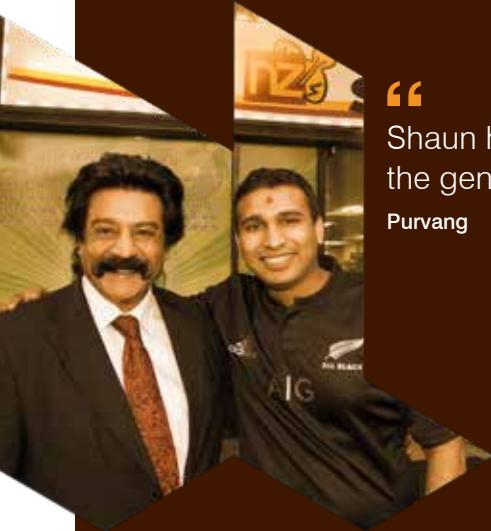
Warwick



“

Shaun helped me negotiate
the generation gap.

Purvang



“

Shelley helped
me set my new direction.

Louisa



TALK TO
US TODAY.

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Business Sales

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