



*Business sales update*



# So, what's happening in the business sales market right now?



**W**elcome to this first edition of our newsletter. We hope you find the contents both interesting and useful.

While the past couple of months have seen a drop off in activity in the business sales market, there are still buyers looking around for good opportunities.

And contrary to current perceptions, there are good businesses that are being sold at the full asking price. In fact in recent

months we successfully settled four sales at the vendor's asking price.

However, since the GFC it's true to say that buyers favour businesses perceived to be secure and those that have shown themselves capable of riding out the financial crisis.

Today, they are attracted to businesses that are achieving consistent profits, have efficient staff and systems in place, do not require previous experience and are not too reliant on the existing owner. Buyer interest is strongest in the \$1m to \$4m price range.

While most buyers of smaller businesses are long-standing WA residents, there is

also interest from British, Indian and South African migrants. Bigger businesses, on the other hand, are mainly attracting corporate buyers, who are usually motivated by a desire to enter new allied markets or to expand their staff, database of customers or plant and equipment.

However, it must be stressed that it's still a buyers' market. Buyers have a lot of choice. This means that as a seller you have to ensure that your business sticks out from the rest. The neatest, best structured and systemised businesses, from both a financial and physical point of view, are the ones that will attract the most interest.

**Helen Sharman, Principal**

## Businesses sold and settled recently by Empire Business Sales

Industry	Price of listing	Price sold for	
Wholesale	\$2,200,000	\$2,200,000	Full Price
Service (specialised)	\$900,000	\$900,000	Full Price
Service/Retail	\$135,000	\$135,000	Full Price
Manufacturing	\$330,000	\$330,000	Full Price
Hospitality	\$995,000	\$925,000	
Manufacturing	\$450,000	\$400,000	

## FREE - really useful selling and buying guides

**Need some really useful advice on selling or buying a business?**

Why not contact us and we'll let you have our Guide to Selling a Business or the Guide to Buying a Business.

Just call Helen at 6364 6298 or email [helen@empirebusinesssales.com.au](mailto:helen@empirebusinesssales.com.au)

## What banks want when financing a business purchase

**W**hen financing the purchase of a business, banks initially look for two things - Security (something they can hold as protection should things go wrong) and Serviceability (the ability to be able to

pay the loan back in an agreed time frame). Banks set their price according to the perceived risk so the two above things will make a big difference to the deal they offer you.

**SECURITY:** Top of the banks' wish list would be residential or commercial property. Plant & Equipment can be acceptable and some clients use cash deposits.

**SERVICEABILITY:** Banks will consider your total financial situation, including

all your commitments. A lot of short term debt can work against you. Don't forget to include your spouse's income. It could help your case.

**RISK:** A good business plan can make a world of difference. Include cash flow statements, your background, the background of the business, improvements you could make to the business and details on the future sustainability of the business.

For more information call Michael at Financial Momentum Solutions on 0408 926 151

# How correct documentation and communication turned a failed deal into a successful sale

**W**ithin 10 minutes of entering the business and speaking with the manager it was obvious to Empire business broker, Helen Sharman, that finding the right buyer was essential if she was to sell this particular business at a good price.

The premises were very shabby. However, the core business was extremely impressive and had masses of potential with huge barriers to entry.

The manager of the business advised Helen that the owner had been approached by a suitable buyer the previous year but negotiations had come to a grinding halt at settlement as neither the seller nor the buyer had a

clear understanding of what was to be included in the sale or how the settlement would take place. As a result, the whole deal turned into a fruitless exercise and inevitably the buyer walked away!

Helen says this all highlighted the importance of correct and accurate information, something that sellers often overlooked. "Vendors must understand they remain liable for what they have sold even after the sale has taken place.

"As a broker, I ensure that all the ducks are in a row before putting a business on the market. This includes careful preparation of a comprehensive business profile outlining all aspects pertinent to the business.

"Among the areas covered in this important briefing document are the roles of the owner and staff members, products and services, the past history, suppliers, stock, plant and equipment, the target market, positioning and strategy, barriers to entry, differentiation and competitive advantage, lease details, what is to be included in the sale, the owner's obligations both pre and post sale and also how the sale will be documented and what financial statements are to be provided, always with an emphasis on confidentiality."

Helen's procedure was carried out correctly with this particular business and the sale settled in the correct manner for a much higher selling price than what the vendor had aimed for in the previous year's aborted sale. There was little doubt the successful sale was facilitated by an accurate appraisal and the preparation of all the required supporting documentation – which left both parties in no doubt as to exactly what they were buying and selling.

## Businesses wanted

### NATURAL STONE BUSINESS REQUIRED

A client on our database is looking for a business dealing in natural stone - ideally granite, marble, travertine or limestone for use externally or internally. The client is looking to expand but would prefer to do so by buying an existing business with systems, structures and ideally a client base already in place.

### MEDICAL WHOLESALE IN DEMAND

We have a selection of clients both here in WA and Interstate looking for a business within the medical wholesale industry. The business would need to have systems in place, a good history of both turnover and profits and with room for potential growth/expansion.

### Demand for businesses with room for growth

On our database we have several buyers both here in WA and interstate who are either private investors, wealth creators, conglomerates or independent private equity firms who are focused on acquiring good quality businesses with potential for growth/expansion. Some, but not all, have a strong focus on buying businesses and keeping the seller in for a period of time after settlement.

## Businesses for sale

### Major player in a specialised area of the service/labour hire sector

Price: \$6,500,000. Nets: \$1,762,730 pa averaged over 36 months (under full management profit)

This highly recognised business has a number of major high profile clients. Operating in a specialised area within the service/labour hire sector, it is known for its quality of service which is what wins the business a large percentage of its repeat and word of mouth business. Excellent systems and infrastructure are in place and the business enjoys the benefit of limited competition.

The managing director has a strong desire to stay on in his role. This is a highly attractive proposition for someone looking to invest in a 1<sup>st</sup> class business without having to play a 'hands on' role!

### 8 year old one stop shop for outdoor living needs – no specific skills required

Price: \$475,000. Net profit: \$228,551 pa averaged over 34 months (10 months of 2011 net of \$228,539)

This business offers a broad range of products and services, including patios, African gazebos, Bali Huts, decking, carports and timber lining. The owner's role includes sales, measuring and quoting, ordering of stock, shire approvals and checking on long-time contractors' workmanship. The current owner does not undertake any hands on work.

There is a factory/warehouse but most of the owner's work is done from a home office. The business has several of its products on display at pool and outdoor living centers located throughout the Northern Suburbs with an additional one South of the River.

## Coming soon

### Three businesses - all showing a higher turnover and profit for the 2011 financial year and moving forward very strongly.

- Labour Hire - net profit approximately \$540,000-\$550,000 (2011 financial year).
- Manufacturing - net profit approximately \$391,979 (2011 financial year).

- Service - net profit approximately \$300,000 (2011 financial year).

They all have good systems, procedures and structures in place and there is minimal dependence on the owner. Call us to place your name on our priority list to receive more information as soon as it becomes available.