noagentbusiness

SELLER'S GUIDE

EVERYTHING YOU NEED TO KNOW, TO SELL YOUR BUSINESS PRIVATELY AND

PAY NO COMMISSIONS!



noagentbusiness BUSINESS FOR SALE Commercial Real Estate

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INTRODUCTION

Selling your business privately can be very rewarding. Firstly, from a monetary sense as you pay no commissions and secondly, you have first hand knowledge about the potential buyer.

To ensure the best outcome and ease of sale, we have provided some tips to help you sell your business or commercial asset yourself.

Remember, take your time and take control of the situation by being prepared, being sure on your minimum price, considering all offers, and not trying to rush to a decision.



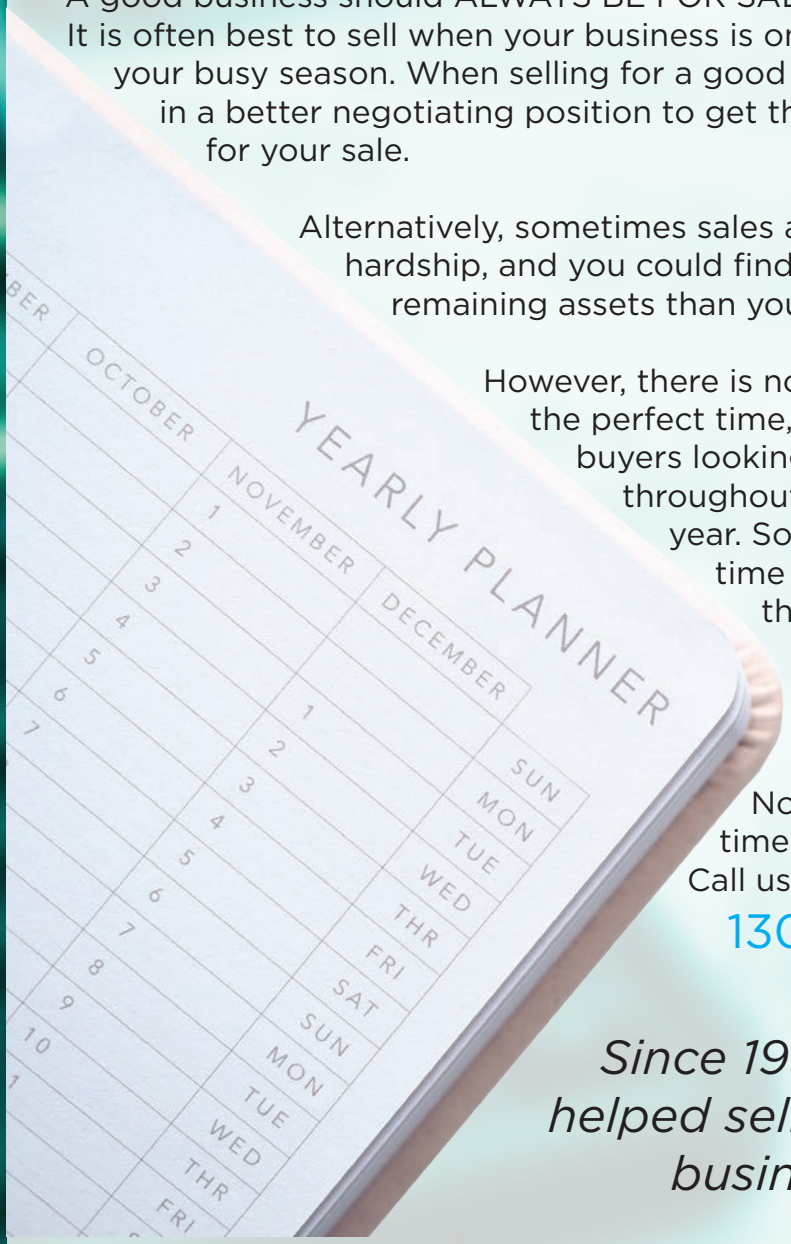
RIGHT TIME TO SELL

The most common reason for many business owners to sell is often retirement or perhaps due to ill health. These are more personal reasons.

A good business should ALWAYS BE FOR SALE for the right price! It is often best to sell when your business is on the up, or prior to your busy season. When selling for a good reason, you are often in a better negotiating position to get the best price possible for your sale.

Alternatively, sometimes sales are a necessity due to hardship, and you could find more value in your remaining assets than you think!

However, there is no point in waiting for the perfect time, as there are always buyers looking to buy a business throughout any month of the year. So when is the right time to sell? When the thought first comes to mind!



Not sure of the best time to sell?
Call us now, we can help!

1300 850 855

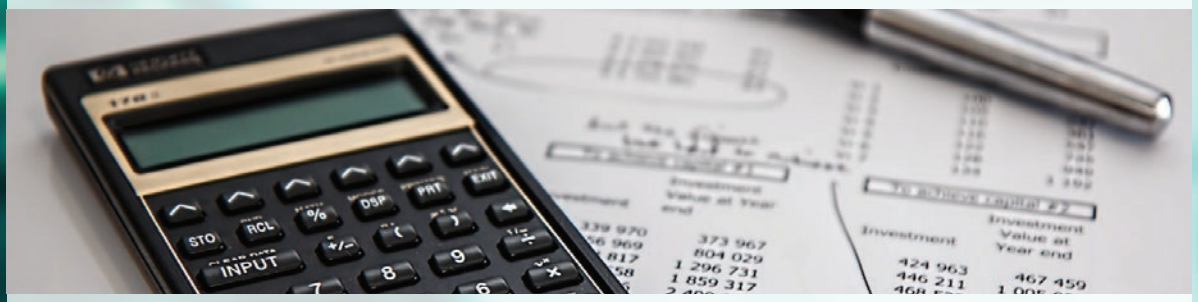
Since 1999, We have helped sell over 20,000 businesses.

HOW TO DETERMINE A PRICE

One of the first necessary steps is to determine what the asking price will be for your business and what your minimum price is.

There are several ways to find out a fair asking price for your business. Some common methods of working out the value of a business are below. These examples are not the only way, so keep in mind that there is no one set method. A combination of methods can be used to arrive at your desired sale value. You may also need to negotiate the method of valuation with the buyer or the financier.

There are also 2 types of sales:
- FREEHOLD (you are selling the business AND the premises)
- LEASEHOLD (you are selling the business ONLY)



Method No 1 - Marketplace Value

One of the first and most straightforward ways to work out the business sale price is to look at current marketplace value and your industry. How you value your business can depend heavily on the industry you're in, and the current marketplace value of similar businesses within that industry.

Industries usually come up with their own rules and formulas to value a business, so it's a good idea to conduct research to gain a good understanding of your industry before you sell your business. The Australian Bureau of Statistics is often a good source that contains a range of statistical data grouped by industry.

Method No 2 - Return on Investment

Another method to calculate the value is the return on investment (ROI) method. The ROI method uses your business's net profit to work out the value of your business.

To get your ROI, divide the net profit (before owner's salary) by the selling price, and multiply it by 100:

ROI = (net annual profit/selling price) x 100

For example:

You have a $200,000 sale price in mind, but want to test your ROI based on that. Your business's net profit was $50,000 last year.

Use the formula:
ROI = (50 000/200 000) x 100
In this case, your ROI is 25%.



You can then determine if you think that's good and offers good value for your buyers!

Alternatively...

If you have an ROI in mind, you can use it to calculate the price:
Selling price = (net annual profit / ROI) x 100

If you were looking for a ROI of at least 50% for the sale, and your business' net profit for the past year was $100 000, you can work out the minimum selling price you should set.
Selling price = (100 000/50) x 100

In this case, to achieve a ROI of at least 50%, you'll need to sell your business for at least $200 000.

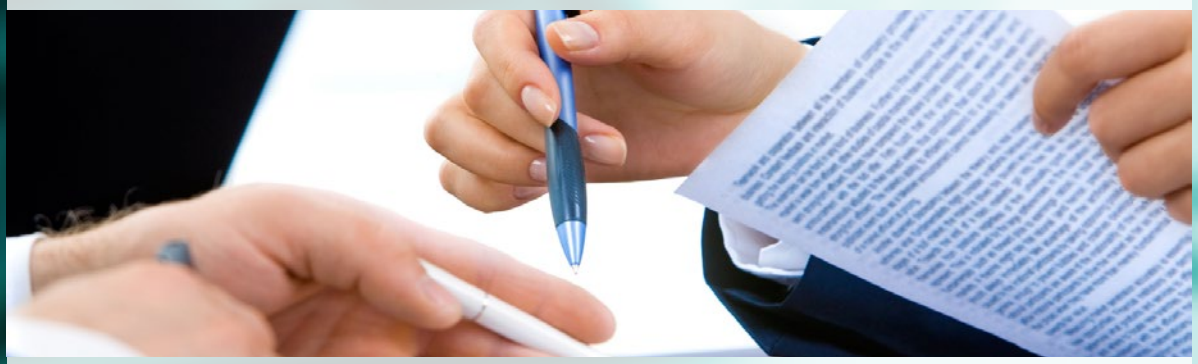
LEGAL DOCUMENTATION

Whether you have chosen to sell your business privately or, in fact, are using a broker, in either case, it is strongly recommended that you engage a solicitor or conveyancer to handle the legal documentation required. This gives you peace of mind that everything has been covered correctly.

Solicitors should check that the contract does not include any false statements, and covers all aspects of the sale, including:

- All relevant assets being transferred (property, equipment, fixtures, fittings, stock, any rights to use any names, etc.)
- All relevant liabilities, including creditors (people or businesses that your business owes money to) and the lease of the premises
- Responsibility for employees and employee entitlements, including whether employees and their entitlements are to be transferred with the sale
- Statements about what will happen if any issues arise (e.g. buyer decides not to proceed; contract inaccuracies discovered, etc.)
- Any restrictions on trading in your profession after the sale (to prevent you from competing directly against the new owner)

Again, it is highly recommended you have a solicitor/conveyancer prepare the documentation, including the contract of sale.



EFFECTIVE LISTING TIPS

Now that you have done your planning and your homework on prices/valuations, you are ready to list your business for sale.



Remember you will be reaching a potential audience of thousands as well as competing with other similar businesses listed for sale.

EFFECTIVE LISTING TIPS

So, to give your listing the best chance of attracting the right buyers, here are a few tips:

- **Good title:** your listing title is incredibly important - you've got a limited number of characters to make a first impression that counts, so they keep reading.
- **Business name:** choosing to disclose your business name, or not, is your choice. If you have a good business name, we suggest you use it. For some businesses, it is understandable that you do not include your business name. If you are choosing not to disclose your business name, then also do not display your street address.
- **Know your price:** whether you wish to display it or not. Again this is your choice. If you are unsure, then you can display "Expressions of Interest", or perhaps even use a price range (from $250 - $280k). When listing your business for sale with us, you have multiple choices in how you wish to display the price.
- **Keep your description to the point:** it's best to not give away everything. After all, it's an advert about the sale, not a business prospectus. Rather than a full list of your assets/equipment in your description, just include significant assets that you wish to disclose. Your advert has the purpose of making sure buyers want to know more so they will contact you with interest.
- **Well-written description:** have a strong introduction (about your business, how long you have been established, your services, and your typical customers (i.e. consumers, corporate or business to business, government, etc.), along with potential and future growth for your business. When a potential buyer is reading your description, they want to visualise themselves in it, so always re-read it as if you are a potential buyer.
- **Use correct spelling punctuation and grammar:** this gets the message across effectively and conveys a level of confidence to the buyer.
- ***If in doubt:*** *speak to one of our consultants who will be glad to assist in the preparation of your description.*



TAKING PHOTOS

Attract buyers with great pictures – on most websites, you have up to 35 pictures that you can use in order to present your sale at its best. As with property, a business should also be presented well. A neat and tidy photo gives an impression of a neat and tidy, well-run business.

The main photo is usually of the outside of the premises, occasionally a shot of the business' inner workings if they are presentable, a company vehicle if the business is mobile, or can be a company logo.

Whether you are leasing or own the premises, it is important to show a picture of the premises inside and out. Always remember to show presentable premises, so de-clutter before hand and ensure it looks organised.

You definiely do not need to use all 35 spots for your photos; often less is better, showing the main areas of your premises only.

If you are choosing NOT to disclose your business name when you are advertising, then ensure that none of the photos include anything that would lead to anyone guessing who you are.

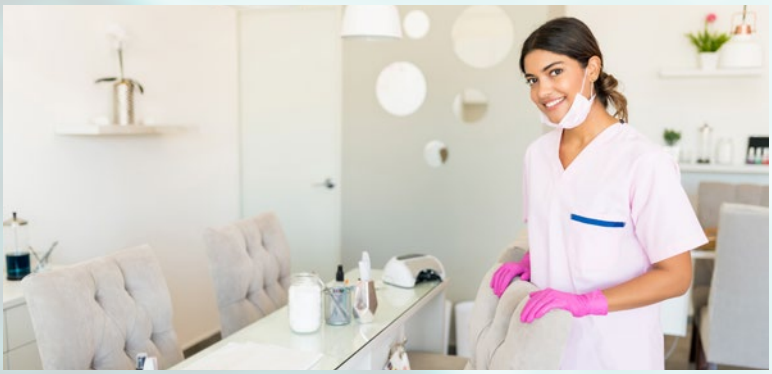
Professional photography can also be provided, so speak to your No Agent Business Consultant for a quote.



PRESENTING YOUR BUSINESS

First impressions count, so when prospective buyers visit your premises, what they see first will leave a lasting impression. Just like preparing your property, your business premises should be clean and clutter-free, and give the impression that it is a well-run ship. SImple suggestions include:

- De-clutter and look organised
- Clean your equipment – remember your equipment are part of your assets, and any potential buyer will want to know that the equipment has been well looked after
- Make sure your storage cupboards are tidy and in order
- Consider making a time for a prospective buyer to come outside of business hours
- Have any documentation you have prepared handy and in a secure place. It should also be well-presented and in an organised fashion. Documentation should include details about the lease, any license documentation, maintenance records of equipment or vehicles, etc



You might also want to consider whether you need a confidentially agreement signed by the prospective buyer, as you'll need to have this prepared in advance (this is recommended for those businesses that have confidential information i.e. processes, sales, figures, etc. that, when disclosed, will help the business sell).

No Agent Business can also provide you with a basic one that can offer some cover for your confidential information.

DEALING WITH POTENTIAL BUYERS

Most potential buyers want to know about the business and its potential, the location, your competitors and of course the bottom line profit.

No-one knows your business more than you, but be careful not to give the impression that without you, the business would not survive.



This is a common fault made by owner-operators, but if you are in this position, then there are ways for you to re-assure the buyer of the business's sustainability, like:

- Offer to stay on to ensure a smooth transition
- Provide good hands-on training
- Have good documentation and/or procedural manuals
- Work as an employee, until the new owner is comfortable
- Introduce new owner to your customers/suppliers
- Give a clear, honest reason why you are selling
- If you are staying in the same line of business, then a potential buyer may request that you sign a "restriction of trade" agreement that will form part of the contract of sale

ADDITIONAL PROMOTION FOR YOUR SALE

Now that you have listed your business for thousands of people to see on the internet, you may also want to consider boosting the advertising by featuring your listing. On many of the 3rd party websites that your listing appears on, there are opportunities to feature your advert. Featuring means having a higher position on the website, or a larger advertisement, all to attract even more potential buyers and for your business to stand out above others. Featured listings are an additional cost and a quotation can be provided by your No Agent Business consultant.

Alternatively, a relatively recent development in advertising businesses for sale has been utilising social media marketing. Whether or not you use social media yourself, the fact is that more and more people are engaging with platforms like Facebook everyday, so it is possible to use these websites or apps to advertise your business to people. Social media captures the interests and demographics of its users, meaning we can specifically target certain types of people who your business might appeal to. Talk to No Agent Business about this highly targeted advertising strategy today.



GETTING READY FOR NEGOTIATIONS

Negotiations are typically a series of offers and counter offers, and being prepared well before negotiations start will help ensure you get the outcome you want.

As much as it may feel daunting, remember you hold the asset that someone wants, and if you are not happy with the negotiating process or the offer on the table, you can always walk away!

Below are 4 simple principles to help you through the process:

1. Clarity

Set your objectives. Have a clear idea of what you want to achieve. Know your limits. Are you certain your lowest asking price is sufficient to meet your financial needs?

Plan your questions. What information from the buyer will help you move forward to achieve a good sale? Listen carefully to what buyers are saying. Often you will gain valuable information on what they need relative to what you are offering. Have they given an indication of their price range or other reasons for wanting this business?

2. Simplicity

Keep it simple. Think about issues likely to arise through the negotiations and have an answer. For instance, what if you are asked why you are selling, or why you are asking for a particular price?

Being able to provide a succinct answer to these types of questions will give the buyer confidence and remove any confusion or concerns.



3. Objectivity

Don't get emotional. Stand back and consider the issues objectively.

Don't rush into agreements. It is ok to say you will get back with an answer. Only accept offers in writing.



What will you do if you get more than one genuine buyer interested in the business, or you get your asking price almost immediately? Conversely, what will you do if a buyer is slow in responding and you are getting close to your deadline, if you have one?

4. Flexibility

Think about your options. Negotiation is about getting an outcome that is better than other alternatives open to you.

Do you have room to move on non-price related things such as settlement period, deposit, and additional fixtures and fittings?



THE DEPOSIT

Typically a deposit of 10% is required, however this is negotiable between you and the buyer.

The Vendor's legal representative usually holds the deposit in trust until settlement.

NOTE: It is government law that a vendor cannot bank/cash a deposit for a business into their own account unless it is in trust (a trust fund).



THE SETTLEMENT

Prior to the settlement, the buyer may wish to inspect the condition of the business at any reasonable time before the settlement date. Make appropriate arrangements for this to happen as it is a way of confirming that the business is in the same condition as it was when the contract was signed. This too applies to your financials and stock at hand, etc. This may also be a condition of sale.

On the day of settlement, the balance of the purchase price is paid in exchange for the assets (tangible and intangible), proprietary documentation, business names, domain names, websites, etc. (all that is in your conditions of sale). Unless otherwise agreed, the buyer will take possession of the business on the day of settlement.

For those businesses with loans: the solicitor/conveyancer or banks will handle and settle these on the settlement day.



TRANSFER YOUR BUSINESS

Once your business is sold, you'll need to transfer your business to the new owner.

This includes:

- Transferring leases, licenses, and permits
- Finalising tax returns, activity statements, and instalment notices
- Cancelling your ABN, and transferring or cancelling your business name

Please also seek advice from your solicitor or accountant.



THANK YOU FOR READING OUR EBOOK

If you're interested in getting more exposure to sell your business, please see our listing packages on NoAgentBusiness.com.au

More info can also be found in our Business Selling Checklist.
You can access this from your browser at the following address:
links.noagents.com.au/checklist

Questions or further queries about selling your business?
Call us on...

1300 850 855

