

Engineering business changes hands for \$5m as listed company makes new acquisition

One of the biggest and longest established rural based engineering companies in New South Wales has recently changed hands for \$5 million through the auspices of our office.

The company, National Engineering Pty Ltd based in the country area of Young has been acquired by Envirozel Limited, a listed public company specialising in developing a portfolio of engineering and construction companies.

In acting for National Engineering, with our experience and past successes of selling similar businesses, we sourced a serious strategic buyer.

Envirozel Limited emerged in June 2004 as a listed public company, with a strategy of organic growth and the acquisition, of specialist providers of services and equipment to the infrastructure, environment and construction industries.

Businesses with strong positions in their respective markets and exceptional growth opportunities have been steadily acquired by this company.

We saw National Engineering Pty Ltd as being a perfect fit for the Envirozel stable.

The sale became Envirozel's fourth acquisition since 2004 and its first strategic move into N.S.W.

Established at Young in south western New South Wales in 1890, National Engineering has grown to a workforce of 70 employees and an annual turnover of about \$15 million.

Through gradual expansion it became involved in major steel construction contracts such as the Olympic stadium, The Olympic Velodrome and The Sydney Aquatic Centre.

Continued page 4



Welcome

Welcome to the first edition of *The Jamieson* for 2008.

If you're looking to sell your business in the near future we're sure you'll find the articles on how to add value to your business and the important topic of confidentiality, interesting reading.

This issue also features a discussion on buying a business outside of boom periods and highlights what businesses are in demand at present.

You can also read about one of our recent major sales.

We trust you'll find this edition informative.

**Business opportunities
see page 4.**

How to add value to your business

When selling a business the first consideration in relating to value is given to the tangible items such as plant and equipment, stock, buildings, staff and of course financial performance.

There's also another aspect worth considering - intangible assets that can increase the market value of your business.

Working on them can ensure you receive the maximum return when you decide to sell.

Intangible assets are defined simply as assets that are not of a physical nature and include the following:

- **Culture and values to meet challenges**

Ensuring your business has the culture and values to meet its present challenges and has defined goals to capitalise on future opportunities is an aspect that undoubtedly gives a prospective buyer confidence in the business.

Having the ability to confront challenges means constantly evaluating where the business is at present and what needs to be done better, including being more creative and innovative.

- **Acquire and retain knowledge**

Businesses need to acquire knowledge resources to remain competitive and for future growth.

There needs to be a broad understanding across the business of how these resources are used effectively. Most importantly, knowledge that is unique to your business should be protected.

- **Develop skills and competencies**

Provide your employees with the opportunities to increase their skill and competency levels to meet the current and future needs of the business. When required, take on additional skilled people to meet new challenges and help grow the business.

Once again, a company with a definite program and history of developing skills and competencies is one that gives a buyer a greater level of confidence.

- **Lead and communicate**

Establishing clear goals and aims for your business, remain actively involved in change processes while delegating and motivating employees to achieve goals.



Clearly communicate this throughout the business and also to outside stakeholders.

- **Processes and Systems.**

To remain competitive the business needs to have in place processes and systems that support all its activities and meet the demands placed on it. Having them in place and in writing is a great asset as it ensures procedures will be followed after you've sold.

The right processes and systems contribute to overall efficiency and enhance the value of the business.

- **Build relationships**

Build on existing relationships, especially with existing customers.

This can be strongly reflected in the value of a business as continuing repeat business from past customers not only shows up in sales turnover but your cost of sale reduces.

This is because it's a well known fact that the cost of obtaining a repeat purchase is 5-8 times less than that of obtaining a new client.

- **Reputation and Trust**

These play a key role in how competitive a business is and need constant attention so that the business is viewed favorably.

Crucial to this is identifying risks, both present and future that may harm the reputation of the business.

About Jamieson Corporate Services

For over 20 years Jamieson Corporate Services has provided business valuation and broking services to owners and managers of private businesses.

Our principals are licensed as business agents by the NSW office of Fair Trading.

The firm is a member of the Australian Institute of Business Brokers and the Real Estate Institute of NSW.

Further information is available from our website: www.jamiesons.com.au.



Buying a business outside the boom

Boom periods are often seen as the best time to buy a business. This may well be true but it is not to say that it is the only time to consider buying.

At present, overall economic conditions in Australia are still favorable, however there are signs that business activity may slow in the future.

The Reserve Bank has raised interest rates and may do so again; the US looks headed for recession; global stock markets are declining; tightening finance availability is putting refinancing pressures on many companies and the newly elected Federal Government has signaled its intention to reign in expenditure.

Slower economic growth should not be a deterrent to buying a business.

It could in fact be a good time to buy a business as it can provide time to learn the ropes and it can also place emphasis on possibly the most important aspect of the business - the marketing of it, rather than merely being there to hold the reins.

Naturally proper research and analysis of the business opportunity is just as important as in a boom period. This includes:

- Assessing whether you're suited to running the particular business
- Evaluating the relevant financial



information available to assess the viability of the business and ensure it can be investigated thoroughly.

- Ascertain your obligations to employees of the business.
- Undertaking a SWOT analysis of the business (strengths, weaknesses, opportunities and threats) .will help you assess the proposed purchase.
- Prepare a business plan including

financial projections taking into consideration business downturn.

- Obtaining independent professional business, financial and legal advice.

Finally, remember that many well established profitable businesses are often not advertised, but rather placed in the hands of business brokers such as ourselves, who often discretely source serious buyers and assist with the sale process.

Protecting your business during the sale process

When a business is listed for sale, the seller needs to ensure that information disclosed to potential buyers is not used to the detriment of the business, causing it to lose value.

It is therefore imperative that a Confidentiality Agreement (or non disclosure agreement) is put in place as soon as possible when negotiating the sale of the business.

Confidentiality Agreements help ensure key information about your business is protected by prohibiting its unauthorised use or disclosure.

They place a responsibility on those who obtain the information to keep it private.

This information includes profit and loss statements, balance sheets and cash flows, as well as product specifications, business and marketing plans and client lists.

To ensure the agreement is appropriate for your particular circumstances, legal

advice should be sought, especially where the business is of substantial value and there is the potential for a significant financial loss if a breach of confidentiality occurs.

Key points to be covered in a Confidentiality Agreement include:

- Identifying what confidential information is covered under the agreement and what information is not.
- Stating the specific purpose for which the information can be used.
- Who the information can be disclosed to. Apart from potential buyers, this might include legal representatives, finance providers and professional advisors.
- Controls on how the information is dispersed and stored.
- How long the agreement remains in place.

Potential buyers of a business should understand the need to have a confidentiality agreement in place.

Signing such an agreement demonstrates not only goodwill but strong interest in buying the business.

This will contribute to the sale process being conducted in an amicable, professional and timely manner, which in the end benefits both parties.

Confidentiality agreements do not only apply when selling a business.

In order to protect the long term viability of a business, employees who have access to sensitive business information may also need to sign them.

These agreements can also extend to when an employee leaves a business, especially if they may move to a competitor or start up a similar business themselves.



Hot Industry Sectors

In the first edition of our newsletter some 18 months ago we identified the trend amongst business buyers towards certain industry sectors.

Three of these sectors are still experiencing strong demand in 2008:

- **Import and distribution**

This is not surprising when you consider the value of total merchandise trade increased 9% to \$349 billion in 2006/07.

- **Customs broking and freight forwarding**

Exports increased 10% to \$168 billion while imports rose 8% to \$181 billion. (sources DFAT)

- **Insurance brokers**

The National Insurance Brokers Association annual report for 2007 stated "We are also seeing the continuing consolidation of the insurance broking sector. Smaller "stand-alone" brokers are finding the option of joining a cluster group or selling increasingly attractive.

There is increasing competition for a diminishing supply of quality brokerages, with the result that this is a sellers' market."

Jamieson has been involved in valuations, sales, mergers and acquisitions in these industries for over 15 years.

If you're looking to buying or selling within these sectors you should contact us to discuss the opportunities.

From page 1

Engineering business changes hands

Its rural activities have included construction of major grain storage and handling structures for GrainCorp and the Rice Marketing Board.

Fabrication activities include manufacturing a range of farm silos.

This impressive portfolio of major projects coupled with an excellent reputation for its competitive and professional approach to business, made National Engineering an ideal acquisition target for Envirozel one that could be expanded and diversified over future years.

The process of sale took a period of six months. We remained fully involved from the identification and introduction of the purchaser, through signing of the heads of agreement, to the due diligence process and drafting of the contract of sale.

As a broker Jamieson, has experience in sales of businesses worth in the vicinity of \$500,000 to \$20m across a wide variety of areas, including manufacturing, distribution, import, export, logistics, trade and professional services and retail chains.

Jamieson Corporate Services
Level 8 53 Walker Street North Sydney NSW 2060
T: (02) 9922 7400 F: (02) 9956 8743
E: info@jamiesons.com.au www.jamiesons.com.au

If you don't want to receive further copies of the newsletter please notify us at info@jamieson.com.au and your name will be deleted from our mailing list.

This newsletter is intended to provide general information only and is not to be construed as financial or legal advice. Before making investment or divestment decisions independent advice should be sought.

Business opportunities

AUTOMOTIVE SERVICE REPAIR AND PARTS

Long-term market leader in specialist sector of motor vehicle repair industry with own remanufacturing facilities. Managed and operated by an experienced team with a strong service culture. Parts import and distribution is a key element of the business. Extensive branch network in Sydney and interstate. Expansion opportunities are under consideration. Sales \$7m per annum.

AIR CONDITIONING & REFRIGERATION EQUIPMENT MANUFACTURER

Specialist in its line of high quality equipment, including standard and custom made units, for commercial and industrial applications. Sales \$3.4 million per annum, with a strong order book. Ideal bolt-on for industry participant.

PHYSIOTHERAPY BUSINESS

Substantial and successful physiotherapy group established over 10 years. Specialises in return to work rehabilitation services. Excellent systems and industry reputation. Government accreditations and extensive industry referral network in place. Very well positioned sites in eastern state capital city. Operated by experienced staff and management team. Annual fee income around \$2m. Suit owner/operator or bolt-on for industry buyer. Owner to assist in smooth transfer and will consider the option to continue as an employee.

TRAVEL AGENCY

Excellent opportunity to acquire a well established and profitable agency located in major Asian hub for over 30 years. Specialises in the corporate travel market and has appropriate local travel agency licence and accreditations. Annual t/o, approx A\$2.5m. Business is run by employed manager with experienced staff. Owner does not work in the business and is selling due to impending retirement.

FASHION DESIGNER AND RETAILER

Respected fashion group with well positioned brand vertically integrated to retail, selling through its own prime retail sites. Well set up design, manufacturing and sales systems. Solid sales and profit history, annual sales around \$6m. Experienced staff. Principals will assist transfer.

Recently Sold Businesses include:

Occupational rehabilitation management; Steel fabrication and manufacturing; Radio communications sales and service; Car Wash.

New Business Opportunities expected to become available soon include:

Specialised apparel designer, Importer and distributor; Advertising/Communications Group; Regional electrical contractor.