

The Jamieson

Winter Edition 2010

your guide to buying and selling businesses

Welcome

We would love to report that the repercussions from the global financial crisis have all but disappeared, but there is no point in burying our heads in the sand. The truth is times are challenging...but the good news is not as tough as they were a year ago.

Buyers and sellers are still cautious and lending institutions are tougher than ever to convince you're a good investment and deserve the money you're asking to borrow.

Despite the improving outlook for business we're finding that banks are continuing with their policy of requiring higher levels of collateral security and serviceability.

In some instances this is resulting in buyers being restricted on what they're able to offer.

This is driving home more than ever that prices and expectations have to be realistic.

However, if you're thinking of selling a business you'll be happy to hear it's actually a quite a good time as there are always people looking to buy a well established and performing business for a whole host of reasons.

As for buyers, if you're able to get around the challenges of financing there are some good opportunities so if you'd like to know more about what's available on our books, take a look at some of the examples on the back page or call and have a chat to our team.

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Preparing your business for a successful sale

If ever there's reward proportional to effort it is the returns that often come from pre-sale input before starting the process of selling a business.

It should never be forgotten what a business buyer is seeking, how the buyer's accountant will view the business and what's needed to satisfy the lenders who will finance the transaction.

The following factors are the ideal for achieving a full value successful sale:

- » Sales trending upward
- » Solid management and staff
- » Established, balanced customer base
- » Favourable lease and/or location
- » Good computer, accounting and reporting systems in place

- » Profit margins meeting or exceeding industry standards
- » Cash flow steady or improving
- » Well trained employees and low staff turnover
- » Established, growing market share
- » Solid reputation for quality and service
- » Products and/or services which are well established or in demand

These ingredients are vital and will be reviewed by all prospective buyers as they compare your business to other opportunities.

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- BUSINESS BROKERS
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Top 10 factors that influence the price of your business

There are many factors that affect the price or value of a business. Here is a quick look at the main factors that have the biggest influence on the selling price of any business.

1 Industry outlook

If the outlook for your industry is bright, the price of your business will go up.

2 Depth of management & the sales teams

If the business owner wears all of the hats, the price goes down.

3 Customer base

If a company has limited customer concentration with no single customer representing more than 5-10% of revenue the price goes up.

4 A good story to tell

Being able to tell a good (and truthful) company story is critical in helping the buyer recognise the full value of a business. An experienced broker will compile a good story that best showcases your business to potential buyers.

5 Stage of industry consolidation

If a company's industry is experiencing consolidation with the big companies getting bigger through acquisition, then prices for smaller companies will rise.

6 Company track record

If a company can show a track record of consistently growing sales and profits, buyers will pay more.

7 Type of business

- » A manufacturing company with a proprietary product will sell for more than a job-shop manufacturer.
- » A distributor that adds value by offering installation, repair, and/or engineering / design input will sell for more than a non-value-added distributor.
- » A service company with a special expertise and/or on-going contract maintenance will sell for more than a similar service company without these capabilities.

8 Revenue size

The larger a company's revenue, generally the higher the selling price. A business with \$25 million of annual sales will sell for more than a company with \$5 million in sales.

9 Market position

A company that dominates its market or has a unique niche in the market will sell for a premium over other companies not dominating their markets.

10 Having multiple buyers

This is clearly one of the most important factors. When there are multiple buyers vying for a business, the price of the business will exceed the price paid for a business sold without competitive bids.

The real costs of buying a business

So you're thinking of buying a business. Excellent, but make sure there is enough cash to run it, especially during those first few critical months.

The number one concern of most new business purchasers is running short of cash to meet their immediate obligations, such as rent, salaries, payroll tax and all those other expenses that are easily forgotten in the midst of the excitement of buying and running a business.

Working capital is essential to operating a successful business. There must be free-flowing cash to pay the bills.

Business owners usually do not think about the impact of working capital on the buyer of their business or more bluntly: it's not seen as the seller's problem. This is where a business broker can help steer the parties through uncertain waters.

Business brokers know what makes up working capital and how to advise buyers and sellers to structure deals. In the eyes of the business broker working capital is made up of:

- » Short-term cash requirements plus
- » Customer accounts receivable plus
- » Inventory less
- » Supplier accounts payable, equals
- » Total working capital

Buyers, sellers, business brokers and other professionals need to not only understand working capital, but know how to best leverage it to close more deals.

Buying and starting out in your new business should be an enjoyable challenge, not a struggle to pay the bills from day one. To ensure you don't find yourself in such a situation be sure to get the right advice from experienced professionals who know all the problems and pitfalls. You're welcome to call us on (02) 9922 7400.



Looking for a smart business opportunity?

- *Need to diversify or bolt on a new business division?*
- *Ready for a career change or retired too early?*
- *Looking for a great investment opportunity?*

See the back page for a sample of excellent businesses for sale.

Even if you're not planning to retire.... you need a succession plan

Depending on your individual circumstances, your short and long term goals and countless other factors, there are many reasons why it's wise to develop a succession plan.

What is a succession plan?

Put simply, it is a blueprint for any business exit.

A well managed plan ensures the business owner gets their original money out and that they are adequately compensated for the years of hard work spent building the business.

What should a succession plan cover?

A good succession plan should cover such fundamentals as:

- » when the business owner will exit the business
- » who the business could be sold to
- » whether the business owner has chosen to sell all of the business or sell down gradually
- » tax and legal implications

Why you need a succession plan

Retirement might be only a couple of years away or decades away or you might intend to never retire; whichever way, you should still develop a solid plan for exiting your business if the desire or need should ever arise – in other words, what is your succession plan?

It's anticipated over 400,000 small to medium businesses will change hands over the next decade. Of these over 50% of business owners will use their business as their primary source of retirement funding.

Key steps to succession planning

Even if you are not yet considering selling your business, developing and implementing a succession plan takes considerable time and a great deal of expert advice because ultimately you will only get one bite of the cherry.

To get the ball rolling here is a check list of the key steps and considerations.

- » Start planning now (it's never too early)
- » Seek professional advice (it's too complex to do it yourself)
- » Understand your personal and business goals (most people don't)
- » Understand the market and value of the business (you may think you

understand, but do you really?)

- » Identify potential buyers and groom successors (even if you're not currently thinking of selling)
- » Identify areas of competitive advantage (you might be surprised)
- » Perform a SWOT analysis on the business (a great way to reveal new business opportunities)
- » Adopt business improvement strategies (you'd be surprised how many businesses don't)
- » Determine a funding strategy (get some expert advice)

- » Always be 'sale-ready' (because you never know when a golden opportunity will come along)

Don't let time run away from you

It's easy for the days, months and years to roll by, especially if you love what you are doing and passionate about your business, but succession planning is an important aspect of running any business.

If you haven't given it any thought, put it on your list of things to do and call us on (02) 9922 7400.



Jamieson has many years of experience in most of today's well sought after industries.

These include:

- Business to business services
- Logistics and transport
- Customs broking/freight forwarding
- Insurance broking and financial planning
- Import and distribution
- Education and training
- Injury/rehabilitation management

Jamieson is aware of excellent business opportunities, in particular:

- **Import and supply businesses** are in high demand from buyers
- **Insurance Brokers** - Jamieson is currently conducting an acquisition search in NSW, Victoria and Queensland for a buyer.
- **Customs Brokers / Freight Forwarders** – More buyers than sellers in what is still very much a consolidating industry.

For more information, call (02) 9922 7400.



About Jamieson Corporate Services



Business Brokers (AIBB) and the Real Estate Institute of NSW (REINSW).

Many business agents and accounting firms are unable to offer the scope and depth of practical business experience that Jamieson brings in advising proprietors on the sale of their businesses.

Principals

Our principals, Paul de Rome and Rodger Williams, have financial and technical backgrounds and are experienced as industrial managers, directors and shareholders of medium-sized companies. This, coupled with many years of experience in selling businesses, provides a sound basis for giving solid, practical advice to owners planning to sell their business.

More than 20 years experience as business brokers enables us to clearly demonstrate to purchasers how they can achieve a good fit and profit from a business acquisition.

It is fundamental to the Jamieson process to maintain confidentiality of the business sale process and to act only when we have clear authority.

Jamieson Corporate Services provides personalised and confidential business valuation and broking service to owners and managers of private businesses.

- » For broking assignments, we only take on a small number of carefully selected business sales or acquisition transactions at any one time. This focussed approach allows us to achieve highly successful results for our clients.
- » Our team consists of experienced business brokers.
- » Our principals are licensed as business agents by the NSW Office of Fair Trading.
- » Jamieson is a member of the Australian Institute of

Business Opportunities

For more details and more businesses for sale please refer to our website;
jamiesons.com.au

IMPORT AND SUPPLY - Floor Coverings

Specialised business selling niche product lines of contemporary floor coverings to retail and trade customers. Sydney based business, strong trading brand, established for over 40 years. Sales increasing with around \$2.7m expected for FY2010. Growth opportunities provide significant scaling up prospects. Currently run under management with good staff and systems.

EDUCATIONAL PRODUCTS DISTRIBUTION

Operating in an important niche education market this business has been trading for over 20 years. It has a strong repeat customer base due to regular contact, quality products and first-rate service. Suppliers are local and overseas. A number of exclusive distribution licences contribute to high gross margins and a return on sales exceeding 20%. Based in Sydney, the business serves a national market. Investment required is \$525,000 including stock.

COMPUTER SOFTWARE AND SUPPORT BUSINESS

Specialised computer software, maintenance and support business, established over 20 years. Delivers turn-key packaged software solutions and services suitable for a range of hardware and operating systems. Solutions designed for major sector of transport industry and can be customised for customers' specific needs and for companies of all sizes. Installed Australian and International customer base with maintenance and services under contract accounting for over 75% of income.

REGISTERED TRAINING ORGANISATION

This highly regarded RTO is one of the largest providers in Australia in the health/lifestyle sector. Online delivery accounts for 50% of revenue of \$5.4m. VETAB accredited, the business possesses significant intellectual property, has an excellent teaching faculty and offers genuine growth opportunities.

DISTRIBUTOR INDUSTRIAL PRODUCTS

Sydney-based importer distributes a specialised range of industrial products mainly for the processing of liquids with annual sales of \$4.8m. All are top quality from reputable manufacturers mainly in Europe. Several exclusive Australian and NSW distributorships are held. Clients include manufacturers, resellers, infrastructure projects and contractors.

New Business Opportunities expected soon

Recent business sales include:

- Homewares import & distribution
- Industrial products import/distribution (acting for buyer)

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Preparing your business for a successful sale

Common mistakes to avoid

Make a checklist and be sure you avoid the following:

- » Failing to correctly prepare the business for sale
- » Not knowing the business's true value
- » Failing to prepare quality information about the business
- » Trying to sell to just one buyer
- » Neglecting the business when it is for sale

- » Not seeing the business from the buyer's perspective

The time to review the dos and don'ts is well before you're ready to sell.

So enlist the services of an experienced business broker or intermediary to plan a successful strategy.

It will pay you big dividends in the future!

For further information call us on (02) 9922 7400.

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