



Sell your business, smarter

in 9 steps.

As an owner, you know that every major business decision demands careful thought and preparation.

And what bigger decision is there than choosing to sell? There's a lot to consider and a number of steps to navigate.

We've been helping owners sell their businesses better since 1996. And we've designed this in-depth guide to walk you through each of the nine key steps involved – with tips and insights to help you manage the entire process, safeguard your information, avoid uncertainty and get the best price.

Avoiding the pitfalls

You know your business inside out. But you may not have sold a company before. It's important to understand the process before you begin, so as to avoid the common pitfalls that can seriously undermine the sale price (and your sanity).

Maintaining confidentiality

Confidentiality is critical to maintaining ongoing positive relationships with customers, suppliers and staff. If staff find out about your plans to sell before you're ready for them to know, their reactions can jeopardize the performance of your business when it matters most. Customers and suppliers may also become unsettled and question their relationships with your company.

Business as usual

The stress of selling a business yourself could distract you from day-to-day operations, potentially causing a downturn and reducing the sale price. Engaging a professional business broker will free up your time to focus on running your business and maximizing its performance and potential value. Many accountants, lawyers and business bankers prefer to deal with brokers on their client's behalf, to ensure clear communication and a streamlined process.

Go it alone, or get help?

Today, selling a business is a complex transaction subject to many legal and financial conditions. Meanwhile, the commercial environment is increasingly competitive and your sensitive commercial information and intellectual property (IP) needs to be carefully protected. Taking the do-it-yourself approach to selling your business can lead to uncertainty, delays and poor results.

Perfect timing and the right buyer:

BUSINESS Pergola Roofing

INDUSTRY Manufacturing / Engineering

SOLD within 3% of the broker's opinion of value

NO. OF DAYS TO SELL 14

Now that Pergola Roofing was doing well, owner Terry needed to free up time and capital to help his wife with her venture. Our broker identified a 'perfect buyer', then applied a little pressure by going to the open market and attracting other competition. Within two weeks, the buyer made a fair offer, which was accepted by the seller.



We sell businesses, better.

Our experienced brokers guide you through our proven *nine key steps.*



1

Planning

Preparing to sell your business by maximizing its efficiency, earning potential, structure and presentation really pays off.

For example, minimizing costs and increasing annual profit by as little as \$5,000 could add \$20,000 to the sale price. We can help you recast your profit and loss (P&L) to determine your true SDE (Seller's discretionary earnings).

2

Broker's Opinion of Value

Naturally you want the maximum price for your business. But setting an asking price too high could scare away potential buyers. While pricing too low means less financial reward for your hard work, there are many ways to value a business. Using a combination of these will usually provide the most realistic price band. The methodology must be accurate and appropriate for your type of business and stand up to expert scrutiny. Every business is unique, making it vital to deal with people who have proven experience in establishing true market value.

3

Documentation

An Information Memorandum (IM) is a comprehensive document that gives a detailed overview of the business.

It must be crafted to ensure it is accurate and represents your business honestly, while adhering to numerous legal requirements and regulations. This includes disclosing anything that may harm the ongoing profitability of your business.

4

Identifying Buyers

It takes more than setting the right price to find your ideal buyer. Having access to a large database of qualified buyers in your sector means greater competition and a better sale price.

As independent professionals, LINK brokers can discreetly approach buyers we believe might be interested, without divulging information that identifies your business.

5

Marketing

LINK is one of the largest business sales marketers and advertisers in the US.

Through decades of experience and measurement, we know how to create effective marketing campaigns. Ads, brochures, web, social media and other communications are carefully planned and executed to attract buyers without identifying your business.

6

Finding "Real" Buyers

We know that not every inquiry about a business for sale is from a genuine potential buyer. But screening every buyer is often a surprisingly time-consuming and difficult process.

Acting as an independent third party, LINK brokers can maintain confidentiality until all potential buyers have been checked for buying capacity - education, experience and finances.

7

Purchase Agreement

After a potential buyer has reviewed the Information Memorandum and expressed interest, they'll have more questions and will usually ask for further information or documents.

A LINK broker co-ordinates this process, by liaising with the business owner or their financial/legal teams to negotiate a conditional Purchase Agreement without yet supplying sensitive details.

8

Disclosure and Due Diligence

Signing the Purchase Agreement doesn't necessarily mean the business is sold.

Most buyers will want to verify your information during a due diligence period.

They'll also need to review information previously withheld due to commercial sensitivity. This process generally takes 5 to 15 working days, although for more complex businesses, it can be up to 90 days or more.

9

Conditions Removal and Closing

Once all the conditions in the agreement have been satisfied, the Conditions Removals are signed and escrow will be opened.

Escrow is a means, time period and trust arrangement during which the paperwork required for the sale of a business is processed. Escrow acts as a "neutral" agent of seller, buyer and broker to collect documents, money and to distribute the same pursuant to escrow instructions as directed by the principals.

**Don't dream of better –
let's make it happen.**

STEP 1. Planning

Preparing your business for sale

To maximize the value to a buyer, planning for the sale of a business should start on day one.

That's in an ideal world. But even if you've never thought about selling before, there are steps you can (and should) take to set you up for success.

From cleaning up your records, to avoiding unnecessary spending and succession planning – your goal is to maximize profit and structure the business to enable you to transfer ownership with minimum impact on operations and profitability.

7k+

owners have trusted
LINK to sell their businesses

Timing it right

If you can, sell when the business is running at peak efficiency, with a solid record of profits trending upwards. *Have you trimmed costs, increased sales and margins, restructured and/or reviewed other variables to get you there?*

Are your records in order?

For some business owners, their impeccable, detailed accounts are a source of pride; for others... less so. If you fall into the latter category, now is the time to get them shipshape. This includes records relating to contracts, customers, staff, leases, asset ownership and more. The checklist on the opposite page may help.

Ensuring your books are up to date – with supporting facts and projections – gives a buyer a clear picture of your operation. We can help you prepare a set of 'normalized' statements to show maximum operating profits, as well as your actual statements. This means adding back expenses or purchases (sometimes personal) that are not directly related to operations – and being prepared to discuss these with potential buyers.

Business or pleasure

Review how unreported cash sales (if any) are managed, along with any personal items paid for by the business, such as travel or entertainment. Separating personal and company expenditure can make a big difference to the selling price. For example, a \$20,000 trip paid for by the company is essentially \$20,000 off the bottom line and could reduce the sale price by three to four times that amount.

Accounting for taste

Accounting policies vary widely – and yours may differ from other businesses within your industry. They may be tax-driven policies, resulting in conservative profit recognition, or earnings driven, to maximize profit. Making sure your accounting policies conform to those generally adopted by your industry can increase the market value of your business.

Stay or go?

A business is more attractive if its success isn't solely dependent on the owner's operational know-how, technical skill or personal relationships with clients or suppliers. Having an experienced, reliable management team demonstrates that the business will remain successful post sale.

Most buyers expect the seller to keep working in the business for a handover period following the sale. This could be anything from two weeks to up to a year or longer, particularly if you're critical to the business. This can be negotiated and included in the Purchase Agreement. You may wish to stay involved in the business indefinitely. Consider what might work best for you, before you prepare to sell.



Don't wing it.
Let us sell your business better.

TIP Review leased and financed assets – you may be better off owning them outright.

Invest for success

When looking at a business, buyers will factor in both its debt level and asset quality, particularly in manufacturing operations. Generally, we recommend you continue investing in the business as if you weren't selling.

Will you offer financing?

To help you achieve maximum value when selling, consider seller financing. It gives the buyer extra confidence, knowing you'll continue to have an interest in maintaining its success.

Checklist

Working with your advisors, LINK can help you prepare the following information, to ensure it's presented correctly. Financial information must be current and accurate. If you're selling halfway through the year, ask your accountant to prepare year-to-date statements. (Not all of these will apply to your business.)

- Brochures/marketing information of your products or services
- Business organizational chart
- Business plan
- Competitor analysis
- Copy of franchise agreement (if applicable)
- Details of any major strengths and/or commercial advantages
- Tax returns for the current year to date
- Historical background on the business
- Identify non-recurring or non-business-related expenses
- Lease details including rent, term, renewals, CAM (Common Area Maintenance) etc.
- Profit and Loss statements for three years plus the current balance sheet
- Schedule of abnormal and/or non-recurring costs in the statements
- Schedule of building, equipment and any equipment leases
- Employee contracts
- Staff levels, including part-timers and contractors
- Inventory value estimate within 10 to 15%
- SWOT analysis
- Trademarks, patents, licenses, agencies or IP details

STEP 2. Broker's Opinion of Value

Knowing what your business is worth

The bottom line: your business is worth what a buyer is prepared to pay.

You may have a higher figure in mind because of the blood, sweat and tears you've put into your business over the years. Or you may have undervalued the business because future global consumer trends are set to have a positive impact.

3
FACTORS
make up the value of a business

1. INTANGIBLE ASSETS Future earning potential reflects historical earnings, can include IP, rights to products or services, lease benefits, contracts, techniques and procedures as well as goodwill.

2. TANGIBLE ASSETS These are the fixtures, furniture and equipment used by the business to generate its income – normally calculated according to its depreciated book value.

3. INVENTORY The inventory purchased by the business for resale or manufacturing purposes is valued at the historical cost price, while adjusting for old or obsolete inventory.

Profitability and risk

Most businesses are valued based on a combination of assets and the cash flow generated. The risk factor of the specific business is also considered: the degree of threat from existing or potential competitors, technology or consumer trends and other factors that may affect earnings or costs.

Barriers to entry

An accurate opinion of value includes evaluating the barriers a competitor may face if they started a similar business. For example, businesses that require minimal capital investment or technical knowledge have a low barrier to entry and therefore may have a lower value.

Going concern or share value?

Most businesses are valued as a "going concern" rather than on the value of company shares. Buyers are reluctant to buy company shares for many reasons including the dangers of unknown possible future tax, credit or legal disadvantages, or liabilities based on historical trading. However, tax consequences or non-transferable permits/licenses sometimes make a stock sale more attractive.

VALU.LINK

LINK uses a combination of established valuation methodologies to reach the most accurate asking price.

This figure is then scrutinized by comparing the theoretical value with LINK's extensive current and historical sales data. This ensures that the valuation accurately represents what a buyer will pay in today's market.

Removing the guesswork

Valu.LINK provides a detailed, accurate opinion of value of your business based on global sales data and finely-tuned algorithms. The Valu.LINK tool uses comparative market analysis, comparing

your business with actual sales of similar businesses, while removing outliers that may impact accuracy. Key areas used to evaluate similarity are:

- Business category
- Revenue
- Weighting factors
- Seller's Discretionary Earnings (SDE)

This complex methodology has been shaped by the University of Auckland's Statistics Department, which also created an algorithm and correct statistical modelling to constantly assess new data, so Valu.LINK remains accurate and current. Data-sets are also customized to ensure accuracy for each country where LINK operates.

How we value each business

Many factors affect the market value of a business, including sector, economic conditions, business cycles, interest rates, labor availability and more. And the value of trademarks, brands, intellectual property and goodwill is not always easy to quantify. The business may be strongly positioned in a growth industry, or a 'sunset industry' where projections are less optimistic. Balancing these factors with the book valuation establishes the true market value. We use a combination of the following methods to value each business.



What about tax?

Professional advice is vital to ensure you fully understand your tax position when selling your business. For instance, if you sell plant and equipment (or the company car) for more than the depreciated book value, you may have to pay back some of the tax you claimed when the items were depreciated (depreciation recapture). Other tax liabilities may be incurred on the profit of land and buildings if they're included in the sale.

STEP 2. Broker's Opinion of Value continued...

Industry ratios

The value of the business is based on its sales record compared with industry averages. This method is often used for small businesses and franchises where there is an established track record within a specific industry. It may also use a formula of multiples of weekly sales or an average derived from sales of similar businesses.



Example: A cafe with excellent foot traffic in a popular suburb is for sale, and is likely to sell for 2.75 to 3.25 times seller's discretionary earnings (SDE).

Factors such as location, foot traffic, parking and so on will determine the right multiplier.

Selling Price Equals Approx.

2.75-3.25x
SELLER'S DISCRETIONARY EARNINGS

Asset based

This approach is generally used for businesses with a history of low earnings (or losses). Using this method, the value of the collective tangible and intangible assets determines the value of the business. There will be an element of goodwill, even where a business is not profitable. Although selling the assets separately is an option, there's often value in selling as a "going concern", which may include a customer database, supplier relationships, experienced staff, and reputation. Calculating intangible assets requires both judgement and experience, together with objective market comparisons.



Example: A dry-cleaning business is now breaking even and the owners are keen to sell. The company's current figures are as follows:

| | |
|-------------------------------------------|-----------|
| Tangible Assets (Total book value) | \$135,000 |
| Inventory (All saleable) | \$5,000 |
| Bad Debts | \$0 |
| Creditors | all paid |

The broker's opinion of value is then broken down as follows:

| | |
|--------------------------------------------|------------------|
| Tangible Assets (Fair market value) | \$110,000 |
| Intangible Assets / Goodwill | \$15,000 |
| Inventory | \$5,000 |
| BROKER'S OPINION OF VALUE | \$130,000 |

Income based

There are various methods used when employing the income based approach to valuation. Return on investment (ROI) or capitalization of earnings is common, as is the application of earnings multiples. Generally the income approach is used for most businesses and places emphasis on earnings rather than assets, however, one income based method, Excess Earnings, looks at both assets and income. Here are the three most common methods used for the approach:

- **Multiple of discretionary earnings method.** This method is based on a cash payback method. The SDE is the cash flow available to the prospective buyer to service acquisition debt associated with the business purchase, pay himself/herself a salary and pay the business taxes.
- **Excess earnings method.** Originated in a 1920 U.S. Treasury Department Appeals and Review Memorandum - ARM 34. It can be considered an asset-based method as well as an income approach method. Most appropriately applied for purpose of allocating total value between tangible and intangible assets. Known as IRS Revenue Ruling 68-609.
- **Selling price analysis from a cash flow perspective.** This method looks at the cash flow from a buyer's perspective to determine whether or not the selling price makes economic sense. Typically it only looks at the last year of SDE, important to a buyer. This method can also be used as a tool to analyze different finance options by comparing SBA financing to seller financing or different combinations of both.

Market based

Sometimes, a willing buyer and seller will agree on a value that goes against traditional opinion methodologies. In other cases, these opinion methodologies produce values that don't reflect market reality. It's always important to also take into account relevant market data and multiples achieved in similar businesses 'in the real world'. LINK brokers have a great deal of comparable evidence across a range of industries, reflecting actual prices and multiples achieved.

SNAPSHOT OF LINK'S BUSINESS SALES

| | Price Sold | Annual Sales | Sellers Discretionary Earnings (SDE) |
|---------------------|-------------|--------------|--------------------------------------|
| Café | \$185,600 | \$480,000 | \$64,000 |
| Services | \$377,600 | \$928,000 | \$147,200 |
| Commercial Printing | \$224,000 | \$640,000 | \$160,000 |
| Childcare Centre | \$416,000 | \$1,152,000 | \$96,000 |
| Specialist Retail | \$233,600 | \$480,000 | \$117,120 |
| Fast Food Franchise | \$435,200 | \$761,600 | \$124,800 |
| Manufacturing | \$928,000 | \$1,523,200 | \$380,800 |
| Import Distribution | \$2,880,000 | \$6,528,000 | \$928,000 |

A SIMPLIFIED WAY TO CALCULATE ROI

Tom's manufacturing company produced an adjusted net profit of \$160,000 (SDE). Its net assets (valuation of furniture, fixtures, equipment and inventory) are \$240,000 and a fair salary for Tom is \$70,000. A buyer could expect a 25% ROI, as this business offers a low to medium risk investment.

| | |
|----------------------------------|------------------|
| SDE | \$160,000 |
| Minus owner's salary | \$70,000 |
| Profit | \$90,000 |
| ROI: | |
| Profit | \$90,000 |
| Divided by desired return | 25% |
| Broker's Opinion of Value | \$360,000 |

**Enjoy the process.
Avoid the pitfalls.
Sell your business better.**

Broker brings 3 buyers to the table

BUSINESS Confidential

INDUSTRY Hospitality

SOLD within 5% of \$2.5M asking price

A restaurant owner wanted as close to asking price as possible, or he wouldn't sell.

Our broker attracted three potential buyers, which created competition and urgency. He eventually secured a price within 5% of the \$2.5M asking price.



STEP 3. Documentation

What a buyer needs to know

A professionally prepared Information Memorandum (IM) is a key document when selling your business and will reduce the need for your involvement in initial meetings with potential buyers.

What is an IM?

This document sets out all the relevant information about your business for a prospective buyer, and it's hard to sell a business without one. Your IM needs to be comprehensive, accurate and represent the business honestly. Consumer protection legislation requires business owners to

disclose all information relevant to the buyer's decision, including anything that may affect the ongoing profitability of the business. Your LINK broker will help you gather the right information and will prepare your IM in consultation with your other professional advisors.

Contents of an IM

- Executive summary
- Background information
- Management organization and control
- Staff infrastructure
- Historical financial information and comments
- Financial performance and outlook
- Opportunities and potential
- SWOT analysis and business plan
- Detailed breakdown of tangible/intangible assets
- Broker's Opinion of Value
- Product/Service positioning
- Premises, facilities and lease details
- Marketing materials
- Reasons for sale



STEP 4. Identifying Buyers

Speaking to the right audience

More than 30% of businesses listed with us are sold to pre-qualified buyers already registered on the LINK database, often accelerating the sales process.

After preparing the IM, your LINK broker will identify and build a list of potential buyers from the LINK database. With your approval, they may discreetly approach some of these potential buyers and

seek Letters of Intent (in strictest confidence).

Rest assured, your sensitive information is kept private at every step. LINK maintains stringent protocols to control who receives detailed information about your business. All buyers must sign a Non-Disclosure Agreement (NDA) before any information is disclosed.

What buyers look for

- History of positive earnings and cash flow
- Stable staff and infrastructure
- A strong brand(s) in a growing market
- Established customer and supplier relationships
- Genuine reason for sale
- Acceptable ROI
- Future sustainable earnings and strong growth potential
- Possible seller finance
- No surprises
- A business that can run successfully without you

Guess who?

Knowing what motivates different types of buyers is part of the way we find the ideal buyer for your business. Generally, buyers fall into one of the categories below:

PRIVATE EQUITY FUNDS

Investment groups wishing to maximize returns in growth industries

STRATEGIC

Larger companies or corporations making an acquisition for strategic reasons, such as eliminating competition

FAMILY

A business is sometimes transferred or sold to a family member

JOB BUYERS

People looking for a smaller business to run as owner managers

MANAGEMENT BUY-OUT

Management acting with private equity investors to acquire a company they know intimately

TRADE BUYERS

Competitors aiming for cost reductions and improved operating efficiencies by acquiring a larger customer base

PRIVATE INVESTORS

People who are considering investing in a private enterprise with a less than full-time involvement



What does your ideal buyer look like?

STEP 5. Marketing

Ensuring your business gets noticed

Marketing is critical to a successful sale and each marketing campaign must be thoughtfully planned and executed.

Healthy competition

In most cases, you should advertise to create as much interest as possible from the start. Experience tells us that the most serious buyers often show interest in the early phases of a marketing campaign. This approach creates competition between the interested parties, often resulting in a better sale price, and reaching the maximum number of potential buyers.

We know which approaches are most effective – structuring your campaign to attract buyers while maintaining your confidentiality. Businesses are only identified where this does not compromise the business or the sale in any way.

Stand out, with proven marketing behind you

LINK has the most powerful marketing capacity of any business brokerage through our own Ad.LINK program. Ad.LINK can help you reach the right prospective buyers for your business with our suite of proven, targeted marketing solutions that speak to buyers when they're most receptive.

Print advertising – in the business section of national newspapers

Online advertising – including linkbusiness.com and high-traffic, business-for-sale third-party websites

Email alerts – to more than 250,000 potential buyers on our global database

Social media – via LINK's LinkedIn, Facebook, YouTube and Instagram channels

Email marketing – in our listings newsletter or promoting your business separately

Digital – geo-targeted advertising on popular, respected mobile apps

Video – professional, compelling custom-designed videos for various channels

It's all for you

Your entire marketing investment with Ad.LINK goes directly into promoting your business. We make nothing from your marketing spend.

A beautiful result, above asking price

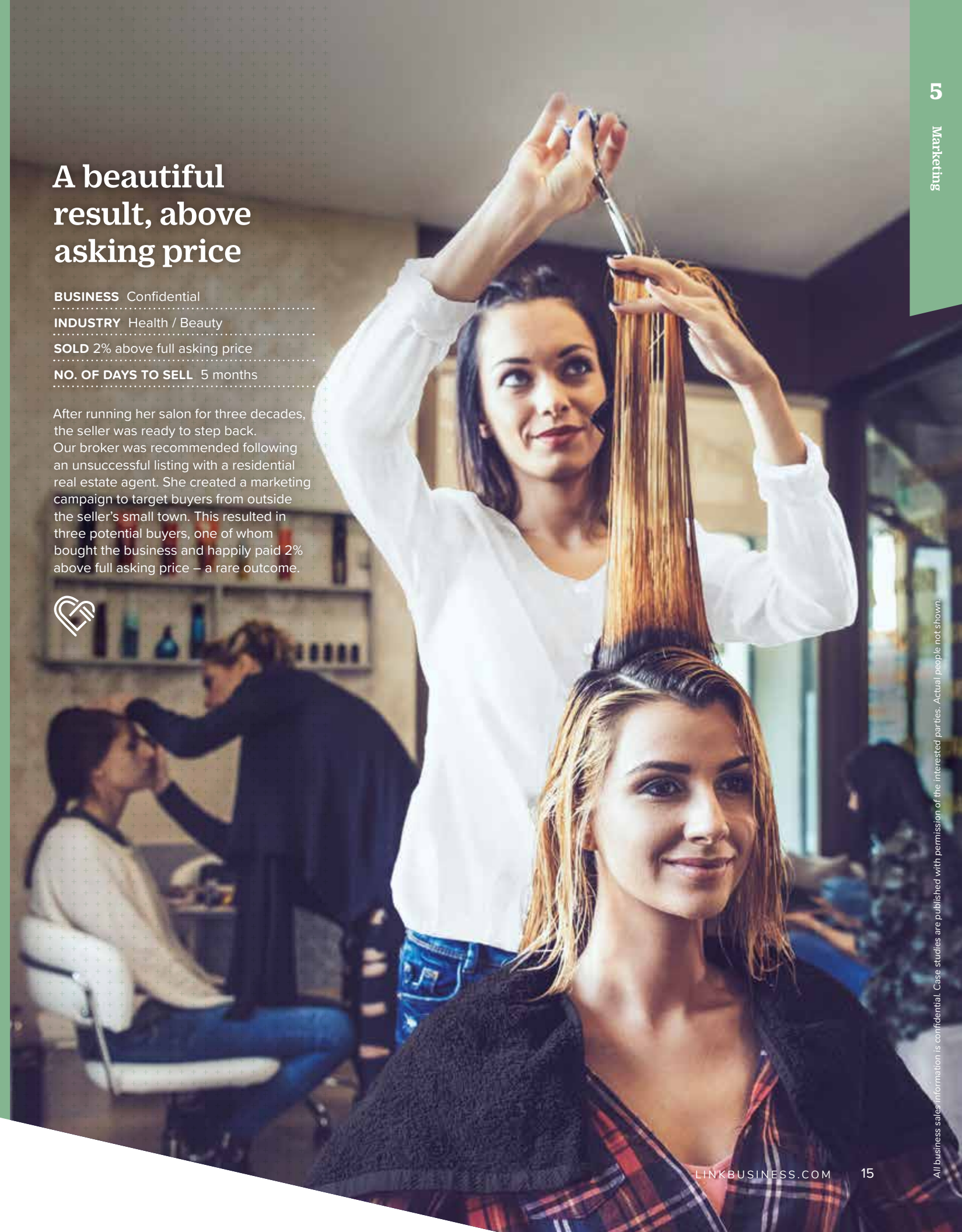
BUSINESS Confidential

INDUSTRY Health / Beauty

SOLD 2% above full asking price

NO. OF DAYS TO SELL 5 months

After running her salon for three decades, the seller was ready to step back. Our broker was recommended following an unsuccessful listing with a residential real estate agent. She created a marketing campaign to target buyers from outside the seller's small town. This resulted in three potential buyers, one of whom bought the business and happily paid 2% above full asking price – a rare outcome.



STEP 6. Finding “Real” Buyers

Are they ready, willing and able?

This process will determine whether your potential buyer is motivated and in a position to complete the purchase.

Trying to vet all potential buyers yourself can be difficult, time consuming and downright risky. Instead, leave the process to your LINK broker, who will check each buyer for buying capability - education, experience and finances.

LINK brokers handle this delicate and often difficult process with integrity and discretion, ensuring

that any sensitive information that could identify the business is withheld until the buyer has signed a legally-binding Non-Disclosure Agreement. This is important for any size or type of business, but becomes even more so for larger businesses, where sales figures and other data are commercially sensitive.

Seller starts a new journey with a full tank

BUSINESS Advanced Automatic

INDUSTRY Automotive

SOLD within 1% of the Broker's Opinion of Value

The owners of a specialist automotive business approached LINK about long-term exit strategies. If they could sell confidentially, at a price that was 'worth selling', they would. Our broker found a potential buyer who had an affinity with motors, and presented the owners with an offer at full broker's opinion of value, which let them move on and enjoy an early retirement.



STEP 7. Purchase Agreement

Negotiating the sale of your business

Earning a buyer's trust and confidence is critical to success.

Difficult questions will be asked and you must be prepared with honest, realistic answers.

Once the Non-Disclosure Agreement has been signed, a potential buyer will look closely at your IM and consult with their financial and legal advisors. At this stage they're evaluating whether the business suits their purpose, and are seeking more detailed information.

Selected information is supplied as determined by you, with advice from your LINK broker. This ensures that any commercially-sensitive material is withheld until an offer is made and progressed under the terms of the buyer's due diligence process. The buyer will also want to view the business and meet with you.

Provided the buyer has been supplied with all the basic information they need, your LINK broker will work with the buyer and their professional advisors in preparing a Purchase Agreement detailing the price, terms and conditions of the offer.

The agreement will nearly always include a due diligence clause, giving the buyer a specified time within which to investigate and confirm that the information supplied to them is accurate. They will also wish to review any other details that may have been previously withheld due to commercial sensitivity.

Your LINK broker will liaise between you and the buyer to facilitate agreement between both parties.

Show me the money

Normally, the buyer pays a deposit of 10% on signing the Agreement. This is safely held in an Escrow Trust Account until the Agreement becomes unconditional.

\$3B+

worth of businesses sold:
we know how to put together
an agreement that works.

STEP 8. Disclosure and Due Diligence

The buyer double-checks your information

Signing the Letter of Intent (LOI) or Purchase Agreement doesn't mean the business is sold. The buyer reviews your disclosure statement, the information supplied to them previously and reviews the assets, financial records, contracts, leases etc.

The length of time a buyer requests for the due diligence process to be completed will often depend on the complexity of the business. A buyer can terminate an agreement for a number of reasons during this process, but they are less likely to do so if the information you provided is explicit and accurate.

TIP The time allowed for the due diligence process will be detailed in the Purchase Agreement and is normally 5 to 15 working days.

What a buyer may want to review:

DUE DILIGENCE

- Products and supply lists
- Customer lists
- Supplier lists
- Plant and equipment lists
- Plant or equipment leases
- Computer programs
- Building leases
- Supply agreements
- Distribution agreements
- Franchise or agency agreements
- Copyright or license agreements
- Local authority consents/zoning approvals
- Any pending legal actions
- Employment agreements
- Staff schedules/roster
- Insurance policies and claims history

FINANCIAL

- P&L statements for 2-3 years
- A current Balance Sheet
- Monthly sales figures
- Year-to-date sales figures
- Returns and Warranty History
- Aged Receivable and Payable Statements
- Staffing and payroll
- Inventory values and quantities
- Work-in-progress estimates
- Any new product development
- Budgets and forecasts



STEP 9. Conditions Removal and Closing

The deal is successfully closed

After receiving written confirmation that both the Buyer and Seller Conditions Removals have been signed, we open escrow and prepare to close.

There are still a few steps to take before you can celebrate a successful sale. You and the buyer need to complete the transaction for them to become the new owner of the business. The broker and escrow attorney will finalize the details required for closing to take place on the specified date being held in the Escrow Trust Account. In the time between the sign off of the Conditions Removals and the closing date, both parties will need to finalize the following:



Inventory

The Agreement will contain an inventory value and a inventory variance figure, which reflects shifts in inventory values depending on seasonal adjustments, shipping or manufacturing cycles. Inventory values are established by calculating the historical cost of purchased inventory and – in the case of a manufacturing business – the value of the work in progress. To reach a final inventory figure, a physical inventory will take place just before closing with you and the new owner both present.

Furniture, Fixtures and Equipment (FF&E)

If not a part of Due Diligence, the new owner may want to inspect the FF&E as detailed in the equipment list provided in the Information Memorandum, to ensure it's in good working condition. If anything is damaged or faulty, it's your responsibility to have it repaired or replaced; otherwise, its value may be deducted from the total plant value.

Training

The Purchase Agreement stipulates the period of time you've agreed to spend helping the new owner after closing. Depending on the complexity of the business, this is normally up to four weeks and will be anywhere from 20 to 30 hours per week. If any additional assistance is required beyond that period, it's normally negotiated at a pre-agreed hourly rate.

Checklist

- Advise employees immediately of new ownership
- Inform suppliers, customers and other appropriate parties
- Help with training
- Review inventory
- Prepare for possession and closing dates
- Provide keys and security codes
- Confirm transfer of power, phone and other utilities
- Transfer ownership of domain names
- Chill the champagne!

Simplifying the complex

BUSINESS Confidential
INDUSTRY Import / Export / Wholesale
SOLD within 5% of asking price
NO. OF MONTHS TO SELL 2 to 3 (after a new campaign)

This complex horticultural wholesale business had been on the market a year when LINK was engaged by the sellers. We adopted a 'new' sales campaign, and within weeks we had an offer and a good deal for both parties.



The secrets to a successful business sale

Selling a business can be a huge challenge. With more than 25 years' experience, we have learnt a few key principles to help you avoid the pitfalls and reap the rewards.

Business owners who choose to engage LINK exclusively and invest in a LINK marketing plan increase their chance of selling by over:

350%



Sell high (but not too high)

If you price your business too high, savvy buyers won't consider it. Price it too low and you are throwing away hard-earned money. Your LINK broker can guide you on what the market is paying for similar businesses and what else is on the market in the same broad category.



Presentation is everything

You will get a better price if your business looks professional and organized and is clean and tidy in all respects, including signage, interior, office, and storage areas. Your equipment should be in good operational order.



Sell by the numbers

Buyers (and their accountants) will want to see up-to-date figures – financial statements and tax returns. Lease agreements should be available for inspection and ideally have a reasonable term left to run. Being ready with this information keeps the sale moving along smoothly.



Give it time

Business owners who engage a LINK broker typically sell in three or six months, but large, complex enterprises may take longer. Once an offer is received, it generally takes around six to eight weeks to complete the sale process. Being in a hurry to sell puts you in a weaker negotiating position.



Systematic systems

Show a prospective buyer how easily they could take over by writing down all of your operations. Include your suppliers and major customers, business processes, the hours of operation, service providers, and what records to keep.



Honesty is the best policy

Establishing and maintaining trust means not trying to hide or disguise anything. Any irregularities or problems will almost certainly be discovered by a buyer and their advisors during the due diligence process.



Be optimistic, but realistic

Providing potential buyers with future scope and forecasts that are reasonable and achievable (including any specific details) can further demonstrate the value of your business.



Use a business broker

LINK brokers have specialist expertise derived from many years of experience in business sales. We can provide advice and guidance every step of the way, protecting your confidentiality, qualifying genuine buyers and taking care of all the details. All this leaves you free to do what you do best – running the business.



Marketing makes all the difference

Business owners who engage LINK exclusively and invest in our Ad.LINK marketing program increase their chance of selling by more than 350%.

Why you should work with LINK

LINK values

Truth

We're candid, honest and ethical to the core.

Proof

We're strong on results and we can prove it.

Know-how

We're highly trained experts at leveraging value and selling smarter.

Details

Accuracy and thoroughness are paramount to us.

Specialist sector knowledge

It makes sense to work with trained professionals who have a thorough knowledge of your industry and can provide sound advice based on facts, not guesswork. Many LINK brokers are sector specialists and previous owners themselves, while others bring invaluable financial, management, legal and accounting expertise to the table.

Protecting your privacy

Most businesses have commercially sensitive information which must be safeguarded from competitors, staff, customers and suppliers. LINK ensures that every inquiry about your business is carefully vetted. No information that could identify your business is released to potential buyers without your approval and a signed Non-Disclosure Agreement.

With you at every step:

Your LINK broker will ensure you understand all facets of selling a business and will facilitate the process between you and potential buyers, as well as your other professional advisors. Statistics show that many business sales fail during due diligence. Our brokers work with you throughout this challenging stage, managing issues as they arise and facilitating negotiations for a successful sale.

You're always in the loop

Gain valuable progress insights throughout the sales process. LINK's sophisticated research and analysis software lets us measure and track marketing activity, level of inquiry, prospect profiles and comment, webpage traffic and more. It helps us fine-tune your marketing campaign to maximize effectiveness, while keeping you up to date with its progress. LINK's exceptional level of service includes regular detailed reports, as well as meetings and updates by phone.

Language guide

While we've done our best to use plain English in this guide, you will no doubt come across plenty of business jargon during the process of selling. This guide explains some of the common terms you'll encounter.

ACCRUAL ACCOUNTING

Income and expenses are entered into the books when they are incurred regardless of when cash is exhausted, instead of when payment is received, or expenses incurred.

BOV

Broker's Opinion of Value

BARRIERS TO ENTRY

The degree of difficulty competitors face when entering a specific market, based on high initial investment requirements, patents, trademarks and special technical knowledge needed etc.

CASH

Accounting income is entered into the books when it is received and expenses are recorded when they are paid.

COST OF GOODS

Direct costs incurred in manufacturing a product or providing a service (usually materials and labor).

COST OF SALES

Includes the expenses involved in marketing, selling and delivering the product or service, plus the cost of goods.

DUE DILIGENCE

A period of 5 to 15 working days (sometimes longer) where a buyer can verify information supplied in the Information Memorandum and review material or documents not previously supplied due to commercial sensitivity.

EBIT

Earnings before interest and tax.

EBITOA

Earnings before interest, taxes, depreciation and amortization.

SDE

Seller's Discretionary Earnings/ Earnings Before One Owner's Income, Interest, Amortization, Tax and Depreciation.

GROSS PROFIT

Revenue generated by the business minus the cost of goods sold or cost of sales.

INFORMATION MEMORANDUM

A document providing a detailed overview of a business.

INTANGIBLE ASSETS

Non-physical assets such as a customer/client list, supplier relationships, intellectual property (IP), patents, trademarks, brand name(s) and goodwill.

IP

Intellectual property – intangible business value that's the result of creativity, such as patents, copyrights, etc.

NET PROFIT

Total revenues minus total expenses.

NET WORTH

Owned assets minus liabilities.

RETAINED EARNINGS

Profits kept in the business and not paid to owners or shareholders.

RETURN ON INVESTMENT (ROI)

An indicator of profitability shown as a percentage, calculated by dividing net profit by equity, and then multiplying by 100.

SWOT

An analysis of the Strengths, Weaknesses, Opportunities and Threats associated with the business.

The tools
to sell
smarter

AD.LINK

Our powerful, tailored marketing program puts your business in front of a greater number of the right buyers, at a price that suits you.

ONE.LINK

LINK brokers access this powerful database management and marketing system to promote your business and manage every aspect of the sales process seamlessly.

VALU.LINK

Get a detailed, accurate Broker's opinion of value on your business, based on global sales data and finely-tuned algorithms.

LINK.ACADEMY

Our brokers are very experienced in their specialist fields, and highly qualified in selling businesses as graduates of our expert LINK Academy.